361°

361 DEGREES INTERNATIONAL LIMITED

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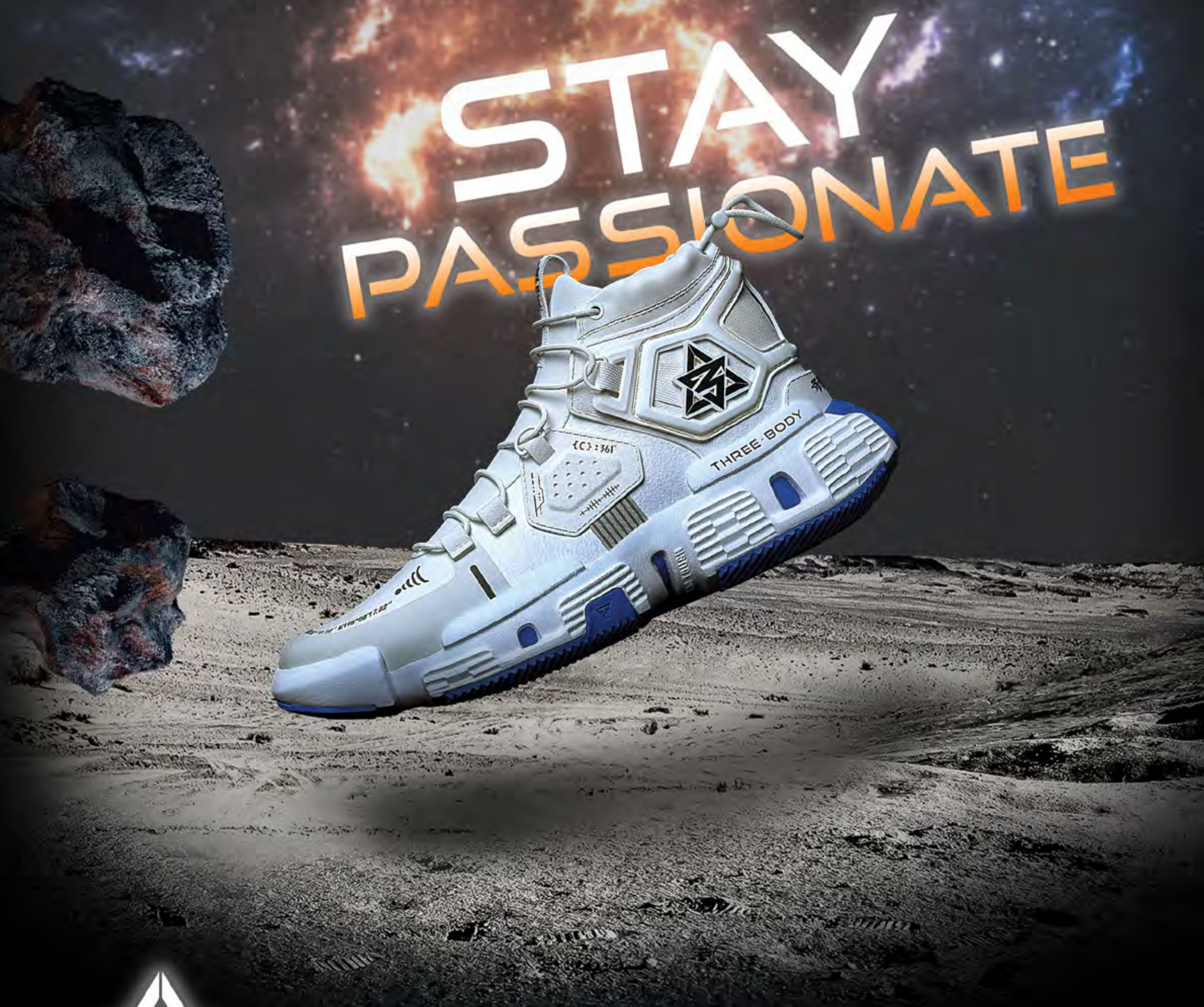

ANNUAL REPORT 2020

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FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2020	2019	2018	2017	2016
Profitability data *(RMB'000)*					
Revenue	**5,126,958**	5,631,866	5,187,446	5,158,200	5,022,678
Gross profit	**1,941,733**	2,269,616	2,105,871	2,156,385	2,109,908
Operating profit	**822,690**	887,250	782,327	987,552	949,325
Profit attributable to equity shareholders	**415,065**	432,403	303,665	456,706	402,652
Earnings per share					
– basic *(RMB cents)*	**20.1**	20.9	14.7	22.1	19.5
– diluted *(RMB cents)*	**20.1**	20.9	14.7	22.1	19.5
Profitability ratios *(%)*					
Gross profit margin	**37.9**	40.3	40.6	41.8	42.0
Operating profit margin	**16.0**	15.8	15.1	19.1	18.9
Margin of profit attributable to equity shareholders	**8.1**	7.7	5.9	8.9	8.0
Effective income tax rate *(Note 1)*	**29.4**	35.0	46.5	39.6	40.5
Return on shareholders' equity *(Note 2)*	**6.4**	7.2	5.3	8.3	7.6
Operating ratios (as a percentage of revenue) *(%)*					
Advertising and promotion expenses	**9.6**	9.0	10.7	9.8	11.4
Staff costs	**9.8**	9.1	8.8	9.0	8.7
Research and development	**4.0**	3.8	4.1	3.4	3.7

Notes:

1) Effective income tax rate is equal to the income tax divided by the profit before taxation.

2) Return on shareholders' equity is equal to the profit attributable to equity shareholders divided by the average opening and closing equity attributable to equity shareholders of the Company.

	As at 31 December				
	2020	2019	2018	2017	2016
Assets and liabilities data *(RMB'000)*					
Non-current assets	**1,181,475**	1,246,409	1,314,958	1,392,852	1,455,861
Current assets	**10,440,087**	10,659,854	10,650,036	9,748,472	9,033,964
Current liabilities	**4,041,217**	2,809,010	3,354,251	2,744,359	2,343,103
Non-current liabilities	**14,354**	2,438,239	2,716,354	2,565,480	2,729,000
Equity attributable to equity shareholders	**6,608,913**	6,322,505	5,767,650	5,706,454	5,303,260
Non-controlling interests	**957,078**	336,509	126,739	125,031	114,462
Asset and working capital data					
Current asset ratios	**2.6**	3.8	3.2	3.6	3.9
Gearing ratios *(%) (Note 3)*	**16.7**	21.2	23.6	23.1	26.7
Net asset value per share *(RMB) (Note 4)*	**3.7**	3.2	2.9	2.8	2.6
Inventory turnover days *(days) (Note 5)*	**111**	120	110	82	69
Trade and bills receivable turnover days *(days) (Note 6)*	**159**	149	160	155	163
Trade and bills payable turnover days *(days) (Note 7)*	**151**	179	195	177	156
Working capital turnover days *(days)*	**119**	90	75	60	76

Notes:

3) The calculation of gearing ratio is based on the interest-bearing debt divided by the total asset of the Group at the end of the year.

4) The calculation of net asset value per share is based on the net assets divided by weighted average number of ordinary shares for the year.

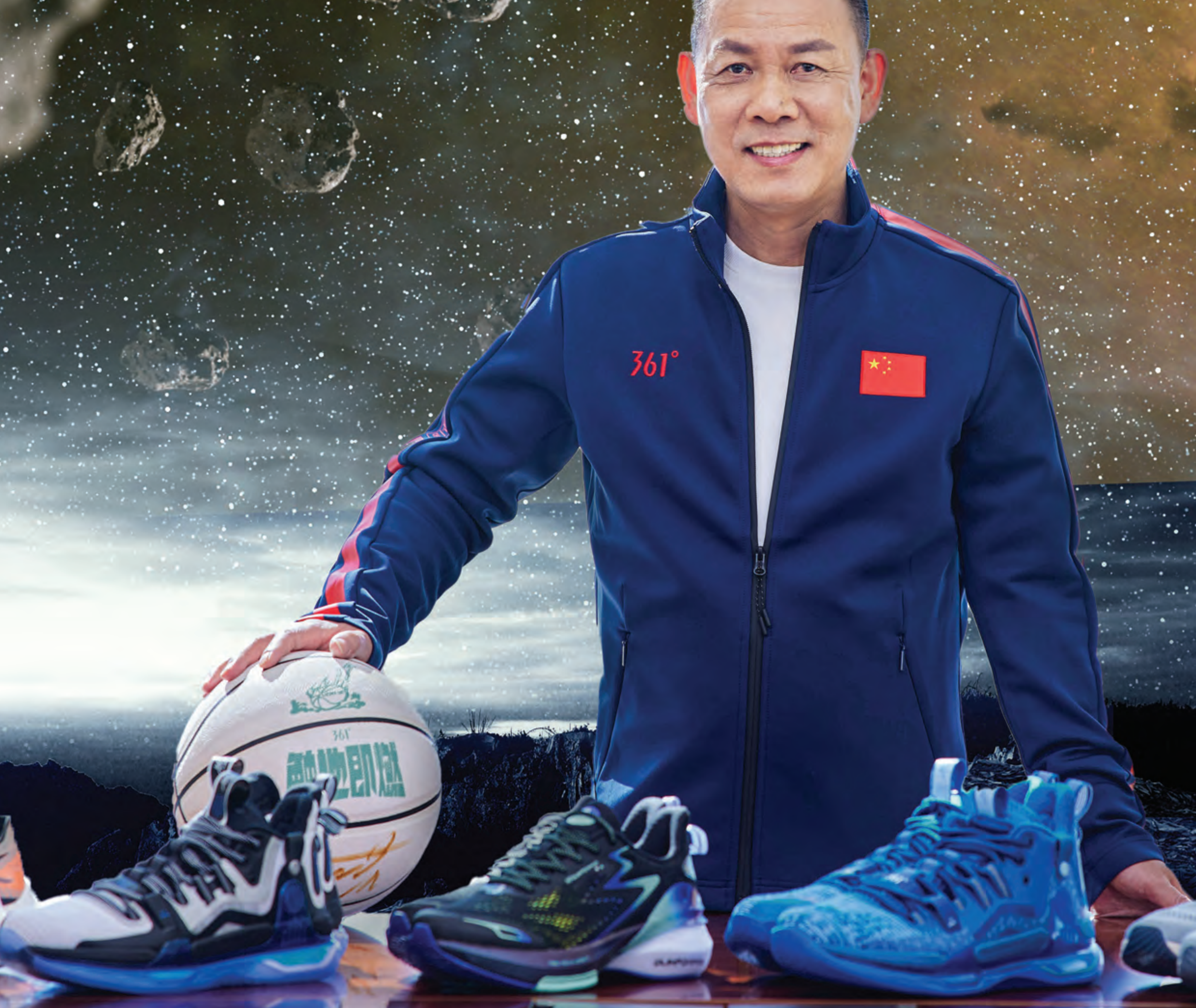
5) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 366 days (or 365 days for 2017 to 2019).

6) Trade and bills receivable turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by revenue multiplied by 366 days (or 365 days for 2017 to 2019).

7) Trade and bills payable turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 366 days (or 365 days for 2017 to 2019).

CHAIRMAN'S STATEMENT

By accelerating strategic brand upgrade and building core brand competitiveness, the Group captures new opportunities arising from the prosperous industry development.



CHAIRMAN'S STATEMENT

Dear Shareholders,

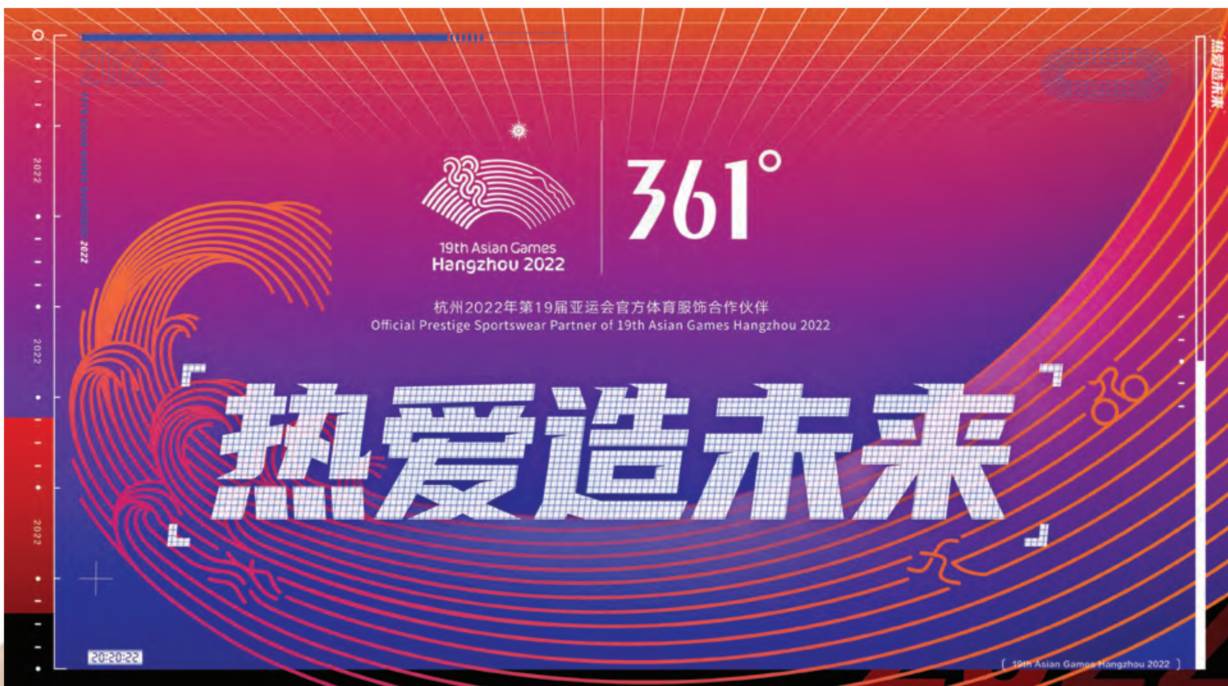
On behalf of the board (the "Board") of directors (the "Directors") of 361 Degrees International Limited (the "Company" or "*361°* "), I present the financial results of the Company and its subsidiaries (which are collectively referred to as the "Group") for the year ended 31 December 2020 (the "year under review").

In 2020, China's economy demonstrated great resilience amid the COVID-19 epidemic (the "epidemic"). According to the National Bureau of Statistics, China is expected to be the only major economy in the world that had achieved positive economic growth. In light of the new trend of economic development, China proposed to step up its effort to pursue a dual circulation economic strategy in which domestic economic cycle plays a leading role while international economic cycle and the former complement each other. The Chinese government proactively introduced policies to stimulate consumption, which led to the faster release of the pent-up demand in sports consumption in the second half of the year. The sports industry got back on track and was ready to grasp more opportunities for development. The epidemic has an enormous impact on people's daily life as it had heightened people's awareness of the need to exercise to stay healthy. Meanwhile, the economy is in the stage of accelerating digital transformation. Integration of online and offline retail channels and innovation have added impetus to the development of the sports industry. In the long run, the sports industry is raring to transition to higher quality development. Therefore, its importance to national economic growth will also be increasing.

During the year under review, the Group recorded a revenue of RMB5,127.0 million and profit attributable to equity shareholders of RMB415.1 million. Looking at the impact of the epidemic on operating activities in the past year and the uncertainty in the future, the Board has prudently decided not to distribute the 2020 final dividend for the time being in order to retain cash strength and weather through current challenges.

GETTING CLOSER TO CONSUMERS AND CONTINUOUSLY UPGRADING CONSUMPTION EXPERIENCE

In 2020, the sports industry was seriously affected by the epidemic but at the same time, new opportunities for development arose. We forged ahead with our consumer-oriented approach for further expanding our consumer base by creating products with more value added and upgrading consumer experience continuously.



In terms of brand building, the Group adapted itself to the changes in the concept of consumption in the new retail era by upgrading its retail stores. For instance, it officially launched the ninth-generation image stores. Taking consumers' core needs into consideration, we upgraded consumer experience in various aspects. For instance, we enhanced both the value of the products and the brand equity, and attracted more consumers with the stores' interior decoration that projected a youthful image. The Group also kept up with the trend of the integration of online and offline sales channels. It stepped up the construction of its e-commerce platform and offered consumers new consumption experience through the combination of WeChat Mall, Pinduoduo and Tik Tok. The debut of our co-branded product series with intellectual property ("IP") on the e-commerce platforms also extended the Group's reach to consumer groups such as nijigen and Z-generation. This manifested the status of *361°* as a specialised brand with a youthful image.

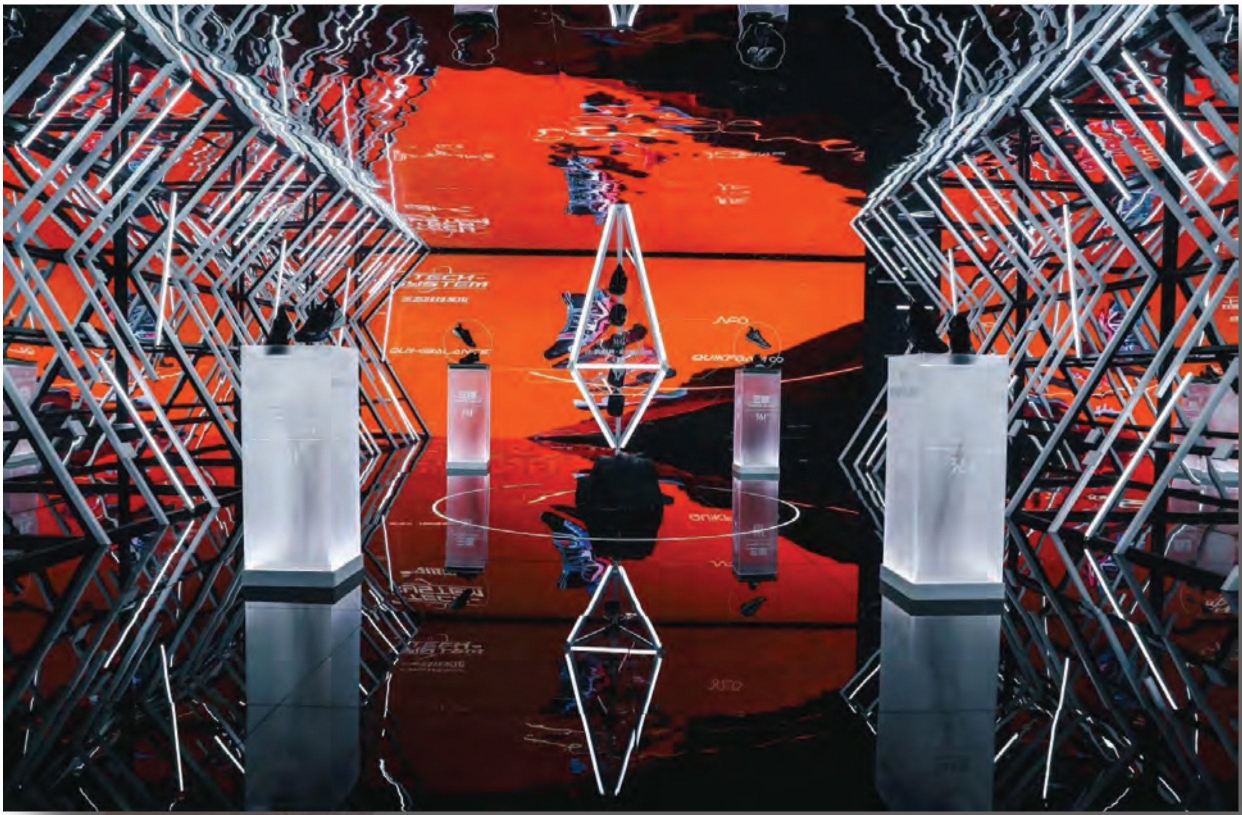
In addition, we have officially announced our sponsorship to the Asian Games again on 21 June 2020, and became the official sportswear partner for the 19th Asian Games in Hangzhou in 2022. This is the fourth consecutive Asian Games sponsored by us since the 2010 Asian Games in Guangzhou. After signing up for the sponsorship, the Group has actively involved in the design of sponsored products. These sponsored products were designed by China Academy of Art, fully integrating the Asian Games spirit, our brand spirit, regional characteristics and cultural elements. The Group will actively conduct integrated marketing with Asian Games through its participation in the sponsorship.

In view of the epidemic's severe impact on the international market, the Group has strategically adjusted its business operation in the international market. The Group launched products under the main brand of *361°* in suitable markets on top of its existing products which were geared for international market. During the year under review, the Group adjusted the existing geographical market coverage. It successfully entered new markets such as New Zealand, Argentina and Bolivia despite the adverse market conditions. The Group will continue to explore the emerging markets such as South America, Africa, Central Asia and the Middle East to increase the international presence of its brands.

ENHANCING THE CORE COMPETITIVENESS OF PRODUCTS WITH DUAL GROWTH ENGINE OF "IP + PROFESSIONAL TECHNOLOGY"

In 2020, the Group became more familiar with the operation of IP collaboration. Its cooperation with many owners of such well-known IP as Gundam, Minions, PepsiCo, Captain Tsubasa, Saint Seiya, Initial D, QQ Speed, The Three-Body Problem and Pokémon have been highly recognised by the market. *361°* thoroughly tapped the market potential of the IP culture by integrating its classic elements into its product design. As a result, the Group created a variety of popular products that appealed to young consumers. Specifically, *361°* cooperated with QQ Speed in conducting actual sales in a game, which received a strong market response and became a classic case of sports brands taking advantage of the e-sports to achieve a breakthrough in marketing.

It is worth mentioning that while accumulating experience in past cooperation with IP owners, the Group has upgraded its IP selection strategy and will pay more attention to the IP's compatibility with the brand spirit and philosophy of *361°* when selecting IP owners as its business partners in the future. On 26 December 2020, *361°* became the first sports brand to cooperate globally with the IP owner of The Three-Body Problem. On the Group Brand Day, *361°* successfully held a product launch with the IP owner of Three-Body Problem under the theme of "Love Is Still On"（熱愛仍在）, and released the three-state technology (3TECH) and the "Science Fiction Functions" product series, attributing a touch of technology to the products and thus making them more attractive. *361°* will use co-branding as the starting point and successively launch the "Science Fiction Functions" products series. *361°* will continue to set the trend so as to satisfy the diverse needs of consumers and develop an advantage of product differentiation.



Basketball game is associated with professionalism and youthfulness, and it also embodies elements of fashion trends. *361°* continues to develop and enrich basketball products with professionalism and fashion elements. During the year under review, the Group successively carried out in-depth cooperation with Aaron GORDON, an international basketball super star player, and Kyranbek MAKAN, a Chinese professional basketball player, which attracted wide attention from the sports industry media and basketball enthusiasts at home and abroad. In 2020, *361°* expanded its market coverage and influence with the help of professional basketball players by holding the "Touch Down and Burn"(觸地即燃)Slam Dunk Contest, and strengthened its positioning as a specialised, youthful, and internationalised brand that is appealing to a broad market to enhance the brand awareness of its products.

DEVELOPING COMPETITIVENESS THROUGH PRODUCT DIFFERENTIATION; CONSOLIDATING MARKET LEADERSHIP OF KIDS' WEAR BUSINESS

The Group has first-mover advantage in the kids' wear market. With its capability to precisely meet the market's demand, its quality sales channels and flexible strategy for its business operation, the Group has maintained a leading position among the kids' sportswear brands in China. In 2020, *361°* Kids kept up the momentum for its development despite the epidemic and also elevated both of its brand positioning and image. In November 2020, we launched our new brand logo "*361°* kids", which highlighted the core values and characteristics of our consumer groups and thus made the brand more vibrant and appealing, to further differentiate the *361°* Kids brand from its peers.

During the year under review, the Group launched co-branded products with high-quality IP, such as Captain Tsubasa, The Croods, Minions and The Three-Body Problem, which were popular among the kids and their parents. By keeping pace with the new trend of the market, the Group upgraded *361°* Kids by repositioning it as "new technology-driven China-Chic"(科技新國潮), featuring professional functionality, health technology and fashion elements of our products. Also, technologies such as the "easy decontamination" and "Zinc anti-microorganism" were applied to more kids' wear. In addition, *361°* focused on expanding its strategic presence in the field of youth football training. It cooperated with Evergrande Football School, Shanghai Greenland Shenhua Football Club Youth Team, Beijing Guoan Junior Training and Shandong Luneng Taishan F.C. Youth Team to hold football matches or summer camps, and thereby continued to expand its market share for the sports goods of football.

SEIZING DEVELOPMENT OPPORTUNITY IN E-COMMERCE BY FULLY EXPLORING POTENTIAL OF ONLINE PLATFORMS

Since the outbreak of the epidemic, there have been some new developments in the consumption habits and patterns, including the accelerated integration of online and offline consumption and innovation in sales channel and marketing. In 2020, there was a growing trend towards live streaming e-commerce and cross-industry cooperation. The Group climbed on the bandwagon by stepping up its cooperation with the IP owners and increasing its effort to develop the live streaming e-commerce. *361°* significantly enhanced both of its popularity and exposure and broadened its consumer group with precision marketing by debuting the co-branded product series with IP on e-commerce platforms. As a result, the proportion of nijigen and Z-generation in our consumer group was higher than the industry average. With approximately 2,200 rounds of live streaming sales done throughout the year, the Group's business of live streaming e-commerce recorded rapid growth, further boosting our brand awareness. In July 2020, The Group, Jinjiang City Jinfa Equity Investment Partnership(晉江市晉發股權投資合夥企業)and Zhejiang Yingshi Equity Investment Fund Management Partnership(浙江盈實股權投資基金管理合夥企業)jointly established a limited partnership to invest in the Group's e-commerce platform, which was aimed at raising the efficiency of the Group's e-commerce platform by accelerating digital transformation. The move will also help to further increase our share of the market for online sales. During the year under review, sales of the online-exclusive products through e-commerce platforms was RMB791.5 million, representing 15.4% of the total revenue of the Group.

OUTLOOK

On behalf of the Board, I would like to express our sincere appreciation to our shareholders for their unswerving support for *361°*, and I would also like to thank our staff members and business partners. Looking ahead to 2021, we expect that the sports industry will be recovering at a faster pace and shifting towards high-quality development. We believe that the sports industry will be flourishing and entering the stage of high-quality development in such a new business environment. As a leading sportswear enterprise in the PRC, *361°* is committed to promoting the brand spirit of "One Extra Degree of Passion", keeping up with the times and seeking changes while maintaining stability. *361°* will prioritise the needs of consumers and relentlessly enhance both the product value and brand influence. It will also do its best to sustain the development of itself, its supply chain and business partners so as to create more benefits for the shareholders, staff members and the society.

Ding Huihuang
Chairman

Hong Kong SAR of the PRC, 23 March 2021

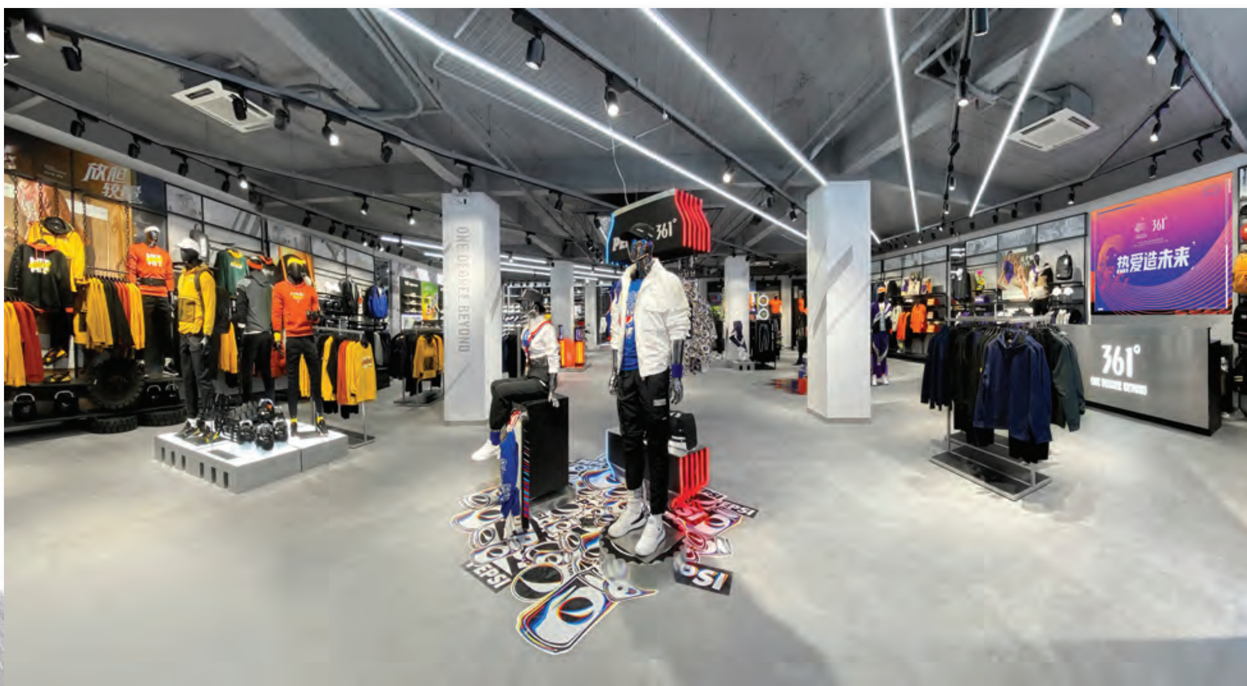
MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2020, the global economy was severely disrupted by the epidemic. According to *Global Economic Prospects* published by the World Bank, the global economy is estimated to have contracted by 4.3% in 2020. In the face of such a tough environment, China's economy demonstrated great resilience. According to the data released by the National Bureau of Statistics of the People's Republic of China ("**PRC**"), China's gross domestic product ("GDP") exceeded RMB100 trillion in 2020, reaching RMB101,598.6 billion, representing an increase of 2.3%. In addition to realising the positive growth in GDP, China is expected to be the only major economy in the world which had achieved positive growth.

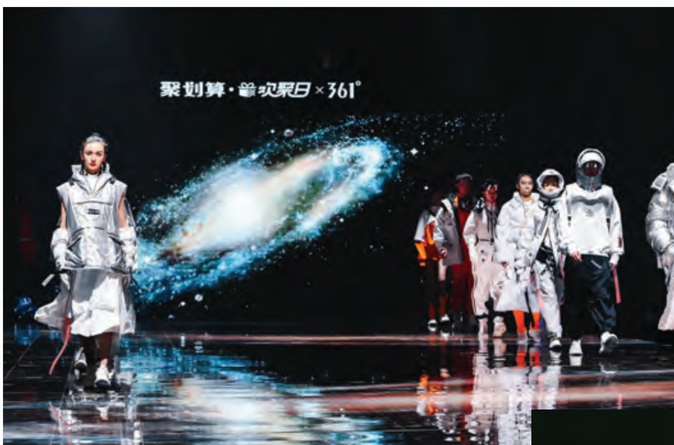
In light of the new trend of economic development, China proposed stepping up the effort to pursue a dual circulation economic strategy in which domestic economic cycle plays a leading role while international economic cycle and the former complement each other. As consumption becomes a key component, a series of policies have been introduced to expand domestic demand and stimulate consumption, so as to reinvigorate the market. Overall, China's total retail sales were contracted slightly, by 3.9%, to RMB39,198.1 billion in 2020. In contrast, online retail sales, which was part of the country's total retail sales, grew by 10.9% to RMB11,760.1 billion. Specifically, the country's total retail sales has gradually resumed growth since March 2020 and the growth rate turned positive for the first time in August and reached 4.6% in December. In the fourth quarter, China's total retail sales grew by 4.6% year-on-year, or 3.7 percentage points higher than the growth rate in the third quarter. In 2020, per capita disposable income of Chinese residents reached RMB32,189, representing a nominal growth of 4.7%. Despite the year-on-year decline in per capita consumption expenditure of the Chinese nationals, the final consumption expenditure contributed to 54.3% of China's GDP growth and remained the strongest impetus to the country's economic growth.

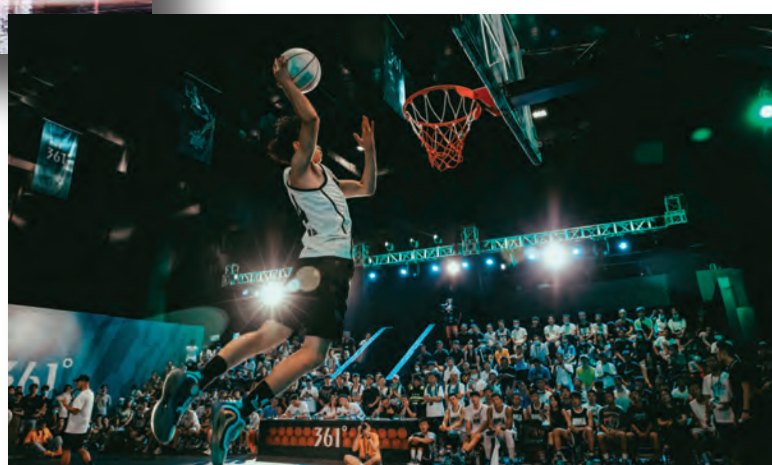
Sports industry plays an increasingly important role in the national economy, of which it is also a key component. According to the latest data from the PRC's National Bureau of Statistics, the value added by the country's sports industry in 2019 was RMB1,124.8 billion, representing an increase of 11.6%, and its proportion in GDP increased to 1.14%. Compared with the proportion of sports industry in GDP in developed countries, China's sports industry still has much room for development. The Chinese government adopted a series of policies in a short span of time to facilitate a recovery in the sports industry amid the epidemic. In the first half of 2020, the state successively issued the "Opinions about the Policies on Building a Strong Domestic Market Through Stimulating Consumption, Expanding Capacity and Improving Quality (《關於促進消費擴容提質加快形成強大國內市場的實施



意見》)" and the "Plan for Piloting Work on Stimulating Sports Consumption (《促進體育消費試點工作實施方案》)" to further improve the environment for the residents' personal consumption and to facilitate a recovery in sports consumption and unlock its potential. In October 2020, the General Office of the State Council of China issued the "Opinions on Strengthening the Construction of National Fitness Facilities and Developing Mass Sports (《關於加強全民健身場地設施建設發展群眾體育的意見》)", with the aim of meeting the people's diverse and personalised needs for fitness, coordinating the construction of national fitness facilities and building a public service system of a higher standard for the nationals' fitness. This has presented new opportunities for the development of the sports goods industry.

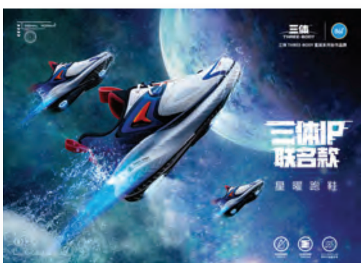
On the back of a strong recovery of the national economy and the Chinese government's ongoing stimulus package, China's pent-up domestic demand for consumer goods has been released at a faster pace. The sports industry has emerged stronger from the severe tests of a difficult operating environment and is now raring to turn around. The 2020 PwC Research Report on Sports Industry (《二零二零年普華永道體育行業調查報告》) released by PricewaterhouseCoopers has the most optimistic forecast for the sports market in the Middle East and Asia. It predicts that the annual growth rate of the Asian sports market will reach 7.3% in the next three to five years. In the next few years, many large-scale sports events such as the Winter Olympics and Asian Games will be held in China. This, coupled with China's effective measures to prevent and control the epidemic, can attract more global sports event organisers to host the events in China in the future and thus further spark Chinese nationals' interest in sports. All these can add impetus to the development of the sporting goods industry.





The epidemic has changed the consumption patterns profoundly, ushering in the "stay-at-home economy". This has accelerated the integration of online and offline retail channels, unlocking the market's potential for development. According to the National Bureau of Statistics of the PRC, online retail sales of physical goods in the country increased by 14.8% to RMB9,759.0 billion in 2020 and accounted for 24.9% of the country's total retail sales, up by 4.2 percentage points compared with the proportion in 2019. China ranked first in the world as an online retail market for eight consecutive years. Meanwhile, the digitalisation of the economy is speeding up, inducing innovation in the sporting goods industry's distribution channels and marketing. The innovation in the sports industry is also diversifying, taking such forms as "live streaming ecommerce" and crossover cooperation, which have become new growth drivers. The sports industry is taking things to a new level, where emphasis is placed on the development of higher quality.

In addition, China's new type of urbanisation and the implementation of its two-child policy present the sports industry with opportunities for development. China's urbanisation has advanced rapidly. According to the National Bureau of Statistics of the PRC, 60.6% of China's population are living in urban areas in 2019, up by 10.7 percentage points compared with that in 2010. As stated in the CPC Central Committee Recommendations for the 14th Five-Year Plan for Economic and Social Development and the Prospect for 2035(《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標的建議》) issued in November 2020, urbanisation shall be extended to counties. Meanwhile, China's market for kids' wear shows promising prospects and huge potential for growth amid the implementation of the two-child policy. Forward Business Research Institute(前瞻產業研究院) predicts that the size of China's market for kids' wear will exceed RMB400 billion in 2024, indicating considerable room for growth in that market. Besides, the Chinese government has also adopted a policy on fostering the development of sports for teenagers. This can help to bolster up spending on sporting goods.



The Group has positioned itself as a specialised, youthful and internationalised brand that is appealing to a broad market. To capitalise on the turning point in the sports industry, the Group will strive to satisfy consumers' personalised needs and provide them with professional sporting goods with added value.

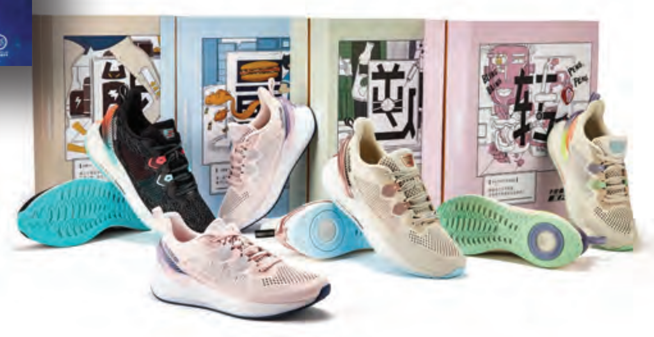
BUSINESS REVIEW

361° Brands and Positioning

The *361°* Group is one of the leading sportswear brands in China. The Group principally engages in brand management, research and development (R&D), design, manufacturing and distribution. Its comprehensive product portfolio includes footwear, apparel and accessories which meet the needs of adults and children in their sports and casual life. The Group's core positioning has been consistent since the beginning of its establishment in 2003, which is to provide high-performance and value-for-money functional sports products targeted at the mass market.

Business Model

During the year under review, the distributorship business model adopted by the Group remained unchanged. The first-tier exclusive distributors distributed the products under the *361°* brand in their respective, exclusive geographical regions. Distributors could choose to open stores directly, subject to approval by the Group's retail channel management department. Distributors could also choose to further distribute the products under the *361°* brand to second-tier authorised retailers. This business model is flexible and stable, enabling the Group to focus its resources on managing sales at the wholesale level while leveraging on the capabilities of the distributors and the authorised retailers to conduct retail sales.



The *361°* core brand engages in brand management, R&D, design, manufacturing and distribution of functional and high-performance sports footwear, apparel, and accessories.

The *361°* Kids brand, which is an independently operating business unit, principally provides sports apparel, footwear, and accessories to cater for the needs of children, from toddlers to the age of twelve.

All of the distributorship agreements are valid for one year. The Group renews the agreements with its exclusive distributors on a yearly basis. The key terms of each of the distributorship agreements generally include terms such as geographical exclusivity, product exclusivity, payment terms, and a reflection of the results of the negotiation between the Group and the relevant distributors. Distributors and authorised retailers are required to attend a number of training programs organised by the Group each year, enabling them to accurately convey the Group's latest technology and product-related knowledge to consumers, so as to assist consumers to choose the most suitable products. Furthermore, the Group also insists on projecting a consistent store image across its nationwide distribution network and the standardisation of product display facilities and promotional materials at the stores, highlighting quarterly marketing themes.

The Group has been upholding the concept of "One Extra Degree of Passion"（多一度熱愛）, sticking to a consumer-centric approach, continuing to meet the demand of the consumers who are trading up, and striving to provide consumers with richer, more diversified and enjoyable experiences of sports life. During the year under review, the Group carried out refined management of its supply chain and distribution chain. In terms of supply chain, the Group focused on streamlining and centralising its supplier base by establishing strategic alliances and shifting from regions with high production costs to those with lower costs, while ensuring product quality and punctual delivery, stabilising the costs and improving respective profitability. In terms of distribution chain, on the basis of stabilising the sustained profitability of the existing distribution system, the Group carried out channel upgrade and construction, thereby enhancing interaction with consumers, directly playing the exemplary role of *361°* brand at the retail end and conveying the *361°* brand concept to consumers.

In October 2020, *361°* won the "Global Brand Development (Greater China) Best Fashion Licensor Award"（環球品牌發展（大中華區）最佳時尚品類授權商獎）, which reflected the image and popularity of the *361°* brand.

The Group currently hosts four trade fairs per year for the *361°* core brand to showcase new season's products. All distributors and authorised retailers are invited to attend the events. The orders of the distributors and authorised retailers will be consolidated by the respective first-tier distributors, who in turn will place such orders with the Group. The Group will review the orders and give suggestions to its distributors regarding the placement of the orders in order to enhance the accuracy of the orders, avoid excessive inventory and discounts at the retail end, so as to stabilise retailers' profitability and support sustainable development. These trade fairs are generally hosted six months ahead of their respective display and launch seasons to allow the orders to be manufactured and delivered to the distributors. During the year under review, the Group organised four trade fairs for *361°* core brand products, namely the 2020 Winter Trade Fair, the 2021 Spring Trade Fair, the 2021 Summer Trade Fair and the 2021 Fall Trade Fair.

Due to the impact of the epidemic in 2020, the overall retail market of China was weak, and the Chinese public's appetite for sports products was subdued. The Group flexibly adopts the online + offline ordering mode. For distributors and authorised retailers in regions seriously affected by the epidemic, the online ordering mode can be adopted.

The Group responded quickly to the epidemic. On 30 January 2020, the Group took the lead in establishing an emergency management commanding team for epidemic prevention with the aim of minimising the impact of the epidemic on the Group. All in-house factories and office have fully resumed operations since 10 February 2020 to ensure the regular supply of products.

Due to the uncertainties of the impact of the epidemic on the economy, the Group actively worked with distributors and authorised retailers to weather the storm by supporting their adoption of a conservative approach to placing orders in response to consumers' decreased demand for discretionary products. Moreover, the Group raised operational efficiency through the policies of giving operational support and providing credit term extension. During the epidemic, the Group also controlled operating costs and advertising expenditures to maintain a stable financial position through optimisation of supply chain system, logistics cost control and integration of information platform. In addition, the Group fully leveraged WeChat Mall, Pinduoduo, Tik Tok and other platforms to bring consumers better and flexible consumption experience, help them reduce risks associated with going out, and mitigate the impact of the epidemic on the retail business.

The Group continued to fulfill its corporate social responsibility amid the outbreak of the epidemic. It promptly procured 2,000 sets of medical goggles and protective suits overseas and donated them to various medical institutions in China, including Central Hospital of Wuhan. Meanwhile, the Group, through China Youth Development Foundation, also donated RMB10 million worth of winter sportswear to Hubei Province to show its support and appreciation for the medical staff fighting on the front line.

361° Core Brand Retail Network in the PRC

As at 31 December 2020, the network of the *361°* core brand stores comprised of 5,165 stores. The Group encourages its distributors and their authorised retailers to open larger stores in shopping malls and department stores in the future while streamlining retail outlets by closing smaller outlets. Geographically, approximately 76.03% of the stores were located in third- and lower-tier cities in China, while 6.25% and 17.72% were located respectively in first- and second-tier cities in the country as at 31 December 2020. The Group will continue to focus on enhancing store efficiency and retail sales in the future.

Despite the impact of the epidemic on the performance of the Group's points-of-sale and the fact that distributors chose to close some outlets in order to reduce their costs, the Group continued to adhere to the "consumer-centric" philosophy and continuously upgraded the consumer experience. During the year under review, the Group launched its ninth-generation image stores in June to bring a brand new shopping experience to consumers through professional image upgrade. As of 31 December 2020, the number of the Group's ninth-generation image stores increased to 294. The overall presentation of the ninth-generation image stores projected a more youthful image as they were installed with light and simple racks and various props. This reduced the decoration cost while enhancing the youthful image of the stores. Meanwhile, with a large membership base, *361°* refined its membership operation to support the long-term and stable development of the Group.

Authorised retail stores of *361°* core brand by regions are set out as follows:

	As at 31 December 2020		As at 31 December 2019	
	Number of 361° authorised retail stores	% of total number of 361° authorised retail stores	Number of 361° authorised retail stores	% of total number of 361° authorised retail stores
Eastern region[(1)]	**902**	**17.5**	1,057	19.1
Southern region[(2)]	**617**	**11.9**	717	13.0
Western region[(3)]	**1,182**	**22.9**	1,190	21.6
Northern region[(4)]	**2,464**	**47.7**	2,555	46.3
Total	**5,165**	**100**	5,519	100

Notes:

(1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.

(2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.

(3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.

(4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Mongolia.

Brand Promotion and Marketing

The Group generally budgets 8% to 11% of its annual revenue for brand promotion and marketing. The brand-building strategies of the Group in the early years mainly targeted at international and domestic large-scale sports events and official sponsorship of Chinese national teams as the Group sought to quickly elevate the international influence of the brand. Such strategy has received a favorable response and achieved the expected results. For example, the Group successfully sponsored the 16th Asian Games in Guangzhou in 2010, the 26th Summer Universiade in Shenzhen in 2011, the 2nd Youth Olympic Games in Nanjing in 2014, the 17th Asian Games in Incheon in 2014, the Rio Summer Olympics and Paralympic Games in 2016 and the 18th Jakarta Asian Games in 2018. The Group's brand has gained considerable exposures in these world-class events, which significantly increased the Group's branding influence worldwide. On 21 June 2020, the Group successfully became the official partner for the 19th Asian Games in Hangzhou in 2022, representing the fourth consecutive support of *361°* for the Asian Games. After entering into the contract to sponsor the Asian Games, the Group actively involved in the design of sponsored products. These sponsored products were designed by China Academy of Art, which fully integrate the Asian Games spirit, brand spirit, regional characteristics and cultural elements. *361°* will further promote the brand concept of "Passion" at the Hangzhou Asian Games, manifesting the essence of a Chinese sports brand in the Asian market.

Other than sponsorship, the Group also closely followed the consumption trends when it conducted marketing campaigns, gearing brand communication more towards consumer preferences. It deployed resources for integrating fashion trends with professionalism and actively expanded the cooperation with owners of well-known and classic IPs. During the year under review, the Group cooperated with brands such as the famous Saint Seiya, Pokémon, The Three-Body Problem, Initial D, QQ Speed, Gundam, PepsiCo, Minions and Captain Tsubasa to launch co-branded products in line with consumer preferences. These products won new consumer groups, which enhanced the Group's brand image and popularity.

On the Group Brand Day 2020, *361°* held a press conference about the co-branded products of the Group and the Three-Body Problem under the theme "Love Is Still On" (熱愛仍在) in Beijing. It was the first time for the owner of the Three-Body Problem IP to cooperate with a sports goods brand in the world. For *361°*, this was also the culmination of its rich experience in cooperation with IP owners. As at the end of 2020, the release of the product series through the Group's cooperation with the owner of the Three-Body Problem IP, namely "science fiction function" (科幻機能) product series, has received a strong and positive market response. The Group will take its cooperation with the owner of the Three-Body Problem IP as the starting point, and leverage the professionally designed functions of the *361°* products to launch science fiction function product series products in 2021.

In addition, *361°* invited more outstanding celebrity spokespersons in sports and deeply developed the endorsement resources. During the year under review, the Group continued to sponsor national and professional sports teams, signed a contract with Aaron GORDON, a super star of international basketball, which represented a breakthrough of *361°* brand in the basketball field, and promoted the growth of the brand with the influential power of these outstanding spokespersons. *361°* continued to develop and enrich basketball products with professionalism and a sense of fashion. *361°* launched Korambek's first pair of signature basketball shoes called "A Self-restraint Generation" (克制一代) in September 2020 and Aaron GORDON's first generation of signature basketball shoes "AG1" in December 2020, which gained extensive attention from industry media and basketball fans in China and abroad as the top professional basketball shoes in the *361°* basketball products matrix. Through its category of sports goods for basketball, *361°* cooperated with more grassroots players through the "Touch Down and Burn" (觸地即燃) Slam Dunk Contest in 2020 to help build a platform for the new generation of young basketball players in China and enhance the brand's influence among basketball players.

The following table sets out all of the Group's sporting event sponsorships during the year under review:

Sponsorship period	Sporting events	Capacity
2020-2022	The 19th Asian Games in Hangzhou 2022	Official Partner
2020-2021	Xuzhou International Marathon, China	Top Partner

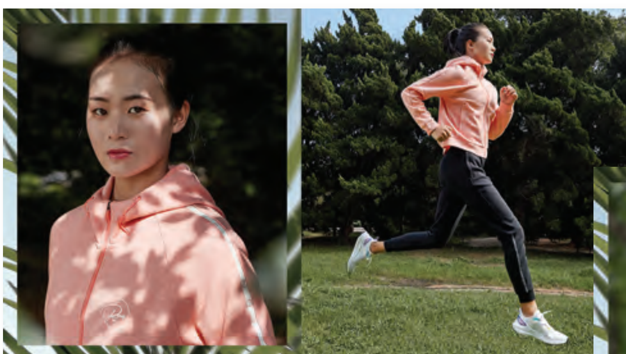
The following table sets out all of the Group's sporting teams sponsorships during the year under review:

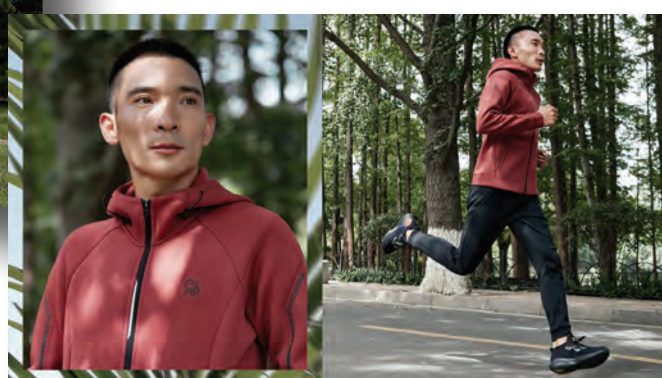
Name of sporting teams	
China National Swimming Team	China National Biathlon Team
China National Synchronised Swimming Team	China National Nordic Biathlon Team
China National Cycling Team	China National Ski-jumping Team
China National Handball Team	China National Freestyle Ski Halfpipe Team
China National Women's Softball Team	China National Freestyle Ski Slopestyle Team
China National Hockey Team	China National Freestyle Ski Cross Team
Hong Kong Women's Volleyball Team	China National Snowboard Cross Team
Macau Sports Delegation	LI Zicheng Club, A Professional Marathon Training Institution
TEAM M23, China Professional Boxer Training and Agent Team	

The following table sets out the Group's spokepersons during the year under review:

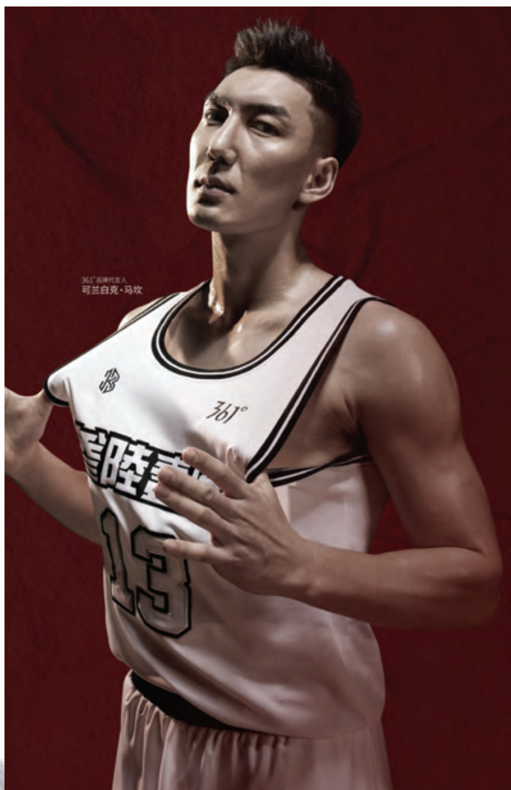
Athletes

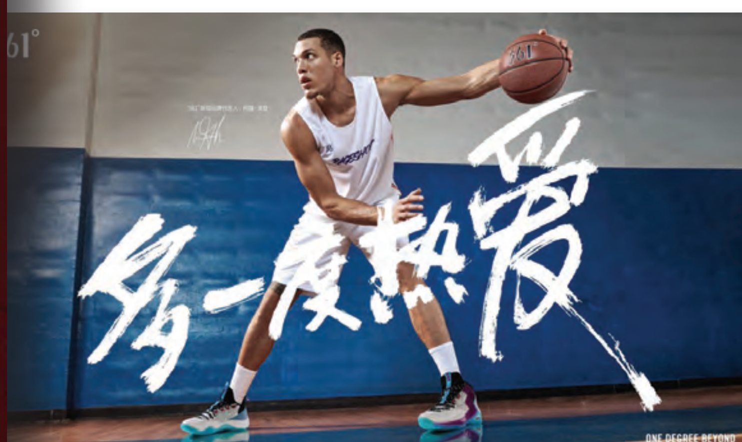
Name of spokespersons	Sports	Key achievements in recent years
LI Zicheng 李子成	Running	1st in Men in the 2020 Chengdu Marathon 1st in Men in the 2020 Wuxi Marathon 1st in Men of China in the 2019 Xiamen International Marathon 1st in Group Category of the 2019 Zhejiang Marathon Relay 1st in Men of China in the 2019 Wuxi International Marathon Awarded as the Top Athlete in Men's Competition Group at the award ceremony of the 2019 China Marathon Majors
MA Liangwu 馬亮武	Running	1st in Age Group of the 2019 Xiamen Marathon 1st in Age Group of the 2019 Chengdu Panda Marathon 1st in Age Group of the 2019 Wuhan International Marathon
TIE Liang 鐵亮	Running	1st in Men of China in the 2019 Qinhuangdao Marathon 1st in Men of China in the 2019 Shenzhen Marathon
GUAN Siyang 關思楊	Running	2nd in Men in the 2020 Changzhou Marathon 2nd in Men in the 2020 Chengdu Marathon 3rd in Men in the 2020 Guangzhou Marathon
FU Wenguo 付文國	Running	3rd in Men of China in the 2020 Xiamen Marathon
QIAN Dingbin 錢鼎彬	Running	1st in Men of China in the 2019 Qingdao Marathon 1st in Men of China in the 2019 Zhengzhou Marathon
YANG Chengxiang 楊成祥	Running	1st in Men of China in the 2019 Nanjing Marathon
ZHAO Na 趙娜	Running	1st in Women in the 2020 Dongqian Lake Half Marathon 1st in Women in the 2020 Zhejiang Elite Marathon 1st in Women in the 2020 Taizhou Half Marathon 1st in Women in the 2020 Meishan Bay Half Marathon





Name of spokespersons	Sports	Key achievements in recent years
Sarah CROUCH	Running	Placed top American woman runner in the 2018 Bank of America Houston Marathon Placed top American woman runner in the 2018 Bank of America Chicago Marathon
HE Jinping 何盡平	Running	1st in the 2019 Taiwan Jinmen Marathon 2nd in the 2019 Markham Marathon 1st in the 2019 Taiwan Open Track and Field Championships for 10,000m
LUO Shijie 羅世傑	Running	4th in the 2019 Taiwan Taichung International Marathon 3rd in the 2019 Taichung Marathon IT Cup 2nd in the 2019 Cinsbu Ultramarathon 1st in the 2019 Taiwan Ershui Marathon
ZHOU Junhong 周俊宏	Running	9th in the 2019 Taipei Ultramarathon 2nd in the 2019 Japan Sakura Michi Ultramarathon
Aaron GORDON	Basketball	NBA all-around dunker Played for the Orlando Magic
Courtney FORTSON	Basketball	Won the Foreign MVP of CBA 2017-2018 Season Won the Best Assist Player of CBA 2017-2018 Season Won the Best Assist Player for Regular Season of CBA 2018-2019 Season
Kyranbek MAKAN	Basketball	Chinese professional basketball player





Name of spokespersons	Sports	Key achievements in recent years
Ashton EATON	Decathlon	Champion in the 2016 Rio Olympics Record-holder in the Men's Decathlon
Brianne Tyson EATON	Track and field	Canadian track and field athlete (retired) Bronze medalist of Rio 2016 Summer Olympics in Heptathlon Champion in the 2016 World Indoor Champion in Pentathlon and Canadian Record-holder of Heptathlon
Katie ZAFERES	Triathlon	3rd in the 2020 ITU Series 2nd in the 2020 German Hamburg ITU Mixed Relay 1st in the 2019 ITU World Triathlon Series Champion in the 2019 Super League Triathlon
Morgan PEARSON	Triathlon	2nd in the 2020 German Hamburg ITU Mixed Relay 2nd in the 2019 Huatulco ITU Triathlon World Cup 3rd in the 2019 ITU World Mixed Series Edmonton Town
Jorik Van EGDOM	Triathlon	3rd in the 2019 Weert ETU Triathlon European Championships 7th in the 2019 Triathlon World Cup 8th in the 2019 Hamburg ITU Triathlon Mixed Relay World Championships
Donald HILLEBRECHT	Triathlon	National champion in the 2019 NED Half Triathlon 3rd in the 2019 Rabat ATU Triathlon African Cup
Rachel KLAMER	Triathlon	8th in the 2019 ITU 6th in the 2019 World Triathlon Series 4th in the ITU Triathlon World Championships, Lausanne
Quinty SCHOENS	Triathlon	4th in the 2019 NED Half Triathlon 4th in the 2019 Funchal ETU Triathlon Mixed Relay Championships

Name of spokespersons	Sports	Key achievements in recent years
LIU Xiang 劉湘	Swimming	Won 1 gold medal in the 2019 Swimming World Cup Won 1 gold medal in the 2019 National Swimming Championships Won 1 silver medal in the 2019 FINA Swimming Championships
ZHANG Yufei 張雨霏	Swimming	Won 2 gold medals and 1 bronze medal in the 2019 Swimming World Cup Won 1 gold medal and 1 silver medal in the 2019 National Swimming Championships Won 1 gold medal in the 2019 FINA Swimming Championships Won 1 silver medal in the 2019 American Swimming Championships
LI Bingjie 李冰潔	Swimming	Won 3 silver medals in the 2019 National Swimming Championships Won 2 silver medals in the 2019 FINA Swimming Championships Won 1 gold medal and 1 bronze medal in the 2019 American Swimming Series Competition
XU Can 徐燦	Boxing	Won the Best Male Boxer of the "Grand Annual Fight of China's Belt and Road" WBA Featherweight World Boxing Champion
YANG Xu 楊旭	Football	Got 6 goals in the 2019 National Team Match Got 8 goals in the 2019 Super League
Celebrities		
TAN Weiwei 譚維維	N/A	A famous Chinese pop singer

361° Kids

361° Kids has been in operation as an independent business unit since its launch in 2010. It primarily targets children from toddlers to the age of twelve who are looking for footwear, apparel and accessories for sports activities. The brand also focuses on the technology-driven healthy products with professional functionality and fashion elements (namely the continuous launch of co-branded product series through cooperation with the owners of IPs), demonstrating the brand position of new technology-driven China-Chic. Since 2019, *361°* Kids further expanded the product coverage to a wider age group, extending its market reach by launching footwear and apparel products that are suitable for children who were aged three or below. In 2019, through a series of internal restructuring, the Group successfully transferred its *361°* Kids business to Zhuji Sanliuyidu. By leveraging on the rich experience of investors focusing on investment in the textile and clothing industry and the connection to high-quality resources, the Group's Kids segment achieved steady development and will continue to contribute to the Group's business growth in the future.

To present the core values of *361°* Kids in the new marketing environment, *361°* Kids launched a new brand logo "*361° Kids*" since November 2020. With the new brand logo, the brand is more outstandingly positioned for kids. The new logo adopts a colour that changes gradually in tone, a more refined and three-dimensional design. Subsequently, it will be gradually used in the product design, brand communication, retail stores and e-commerce platforms, etc.

As at 31 December 2020, there were 1,703 points-of-sale offering *361°* Kids products, of which 397 were located at *361°* brand's authorised retail stores, selling both *361°* core brand products and *361°* Kids products. Geographically, approximately 71.05% were located in third-tier and lower-tier cities in China, while 7.28% and 21.67% were located in first- and second-tier cities in China, respectively. As of 31 December 2020, there were 207 fourth-generation outlets under the brand of *361°* Kids. Their overall design matches the current trends and increases the brand recognition. The combination of more distinctive thematic displays and reasonable routes for customers inside the stores enables consumers to have a more comfortable and enjoyable shopping experience.

The following table sets out the authorised points-of-sale of *361°* Kids (including those operated within the *361°* core brand authorised retail stores) by regions:

	As at 31 December 2020		As at 31 December 2019	
	Number of *361°* Kids authorised points-of-sale	% of total number of *361°* Kids authorised points-of-sale	Number of *361°* Kids authorised points-of-sale	% of total number of *361°* Kids authorised points-of-sale
Eastern region(1)	295	17.3	408	21.3
Southern region(2)	275	16.1	321	16.7
Western region(3)	357	21.0	360	18.7
Northern region(4)	776	45.6	833	43.3
Total	1,703	100	1,922	100

Notes:

(1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.

(2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.

(3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.

(4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Mongolia.

During the year under review, *361°* Kids hosted four trade fairs, namely the 2020 Winter Trade Fair, the 2021 Spring Trade Fair, the 2021 Summer Trade Fair and the 2021 Fall Trade Fair.

361° proactively focuses on the brand building of its brand for kids' apparel and has successfully launched co-branded products with Captain Tsubasa, The Croods, Minions and The Three-Body Problem, etc. through the strong and powerful core brand spokespersons and IP resource integration, with the aim of differentiating further its *361°* Kids brand. In addition, the Group also focused on expanding its strategic presence in the field of youth football training. As a partner of Shanghai Greenland Shenhua Football Club Youth Team, Beijing Guoan Junior Training and Shandong Luneng Taishan F.C. Youth Team, strategic partner of Evergrande Football School, and the sponsor of sports equipment for the elite team of Evergrande Football School, the Group continued to make good use of the resources provided by the youth football in China and strengthened its linkage among youth football training systems. Leveraging on the resources of the football clubs, *361°* expanded into such businesses as the procurement of football team equipment, group purchase, operating jointly run shops with football clubs, hosting competitions and summer camps jointly with clubs to enhanced the Group's influence and expand its market share for the sports goods of football. With the rapid development of children's sports industry in China, increasing importance is being attached to the football industry. The Group's forward-looking strategic plan could further enhance the brand value and market share of *361°* Kids.

During the year under review, *361°* Kids launched popular products with chic designs, such as Yiguang running shoes and light shoes, and highly functional products equipped with the "easy decontamination" and "Zinc anti-microorganism" technology. In terms of apparel and accessories, its unique dryness, anti-microorganism technology, as well as moisture-absorbing, ice feeling technology and TEFLON anti-fouling technology and others had been widely applied. In terms of footwear, its unique FUNFOAM technology, FUNFAZE technology and air suspension technology, as well as anti-spill technology, anti-microorganism technology, easy decontamination technology, dazzling light technology and others had deeply integrated with products.

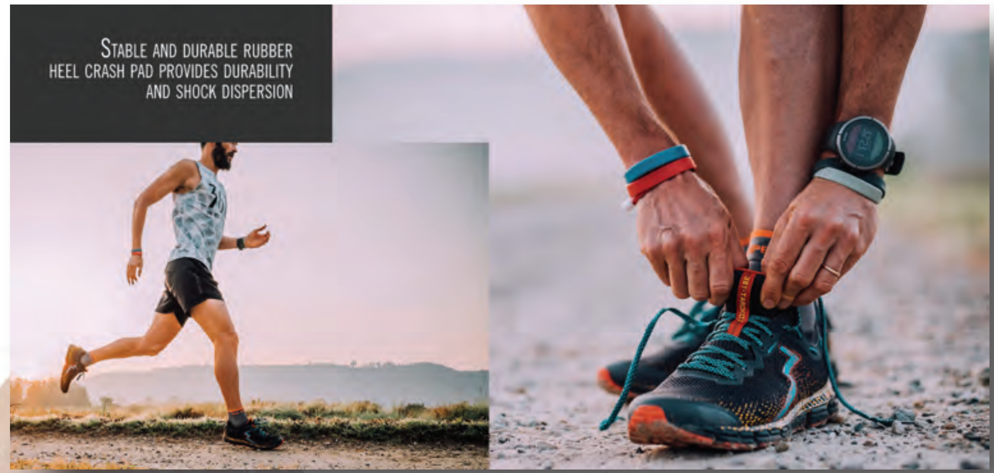
During the year under review, *361°* Kids contributed 18.2% of the Group's total revenue.

361° International

Since 2015, the Group has actively expanded its footholds in international markets with growth potential, so as to expand the geographical market coverage of the international business of *361°* and enhance the brand's international reputation. In the future, the Group will largely focus on the development of overseas franchise market. In addition to existing core markets, the Group actively explored the markets with growth potential in 2020 and has entered new markets such as New Zealand, Argentina and Bolivia. Meanwhile, the Group will proactively consolidate its direct markets in Europe and further increase its influence in overseas markets.

361° is still a relatively young brand in the international market but its product performance is showing promising results and it is competitive against a series of major international brands. The following table sets out key awards won by the *361°* International products during the year under review:

Name	Award
361-Taroko 2	Selected by the Sweden's "Runner's World" magazine as the most valuable "Recommended Product" Selected by Gearjunkie, a professional review website of outdoor gear in US, as the "Best Running Shoes for Road & Outdoor Running"



As of 31 December 2020, the number of overseas points-of-sale of the Group decreased to 953 due to the severe situation of the epidemic. The Group will adjust its overseas development strategy and pace according to the development of the epidemic in the future. During the year under review, the *361°* International business contributed to approximately 1.4% of the Group's total revenue.

ONE WAY

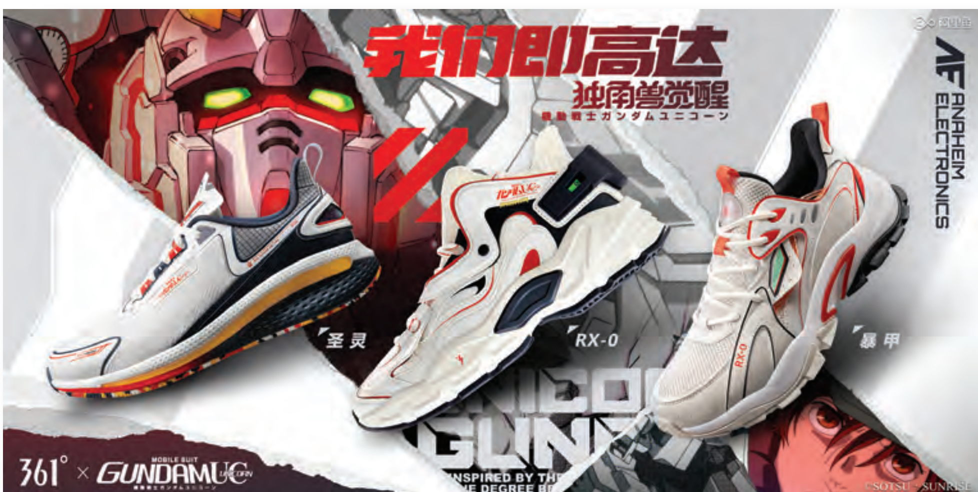
The ski and outdoor sportswear industry in China is a high-growth sector. This is especially the case as Beijing is hosting the 2022 Winter Olympic Games and the government has adopted supportive polices on the industry. The sports event will make winter sports more popular and thus drive up the demand for and add momentum to the winter sports products.

The Finnish brand ONE WAY owned by the Group mainly targets at high-end professional users. The retail operation of ONE WAY has been greatly affected by the epidemic. The Group will gradually adjust the scale of the operation in the future after thorough consideration to strive for break-even.

Modern E-Commerce

The Group conducts its e-commerce business mainly through renowned e-commerce platforms in China, including Tmall, Taobao, JD.com, Vip.com , and other platforms such as WeChat Mall, Pinduoduo and Tik Tok. These online platforms are authorised to sell online-exclusive products, which are differentiated from the sales and marketing of the products sold in physical stores. Meanwhile, e-commerce platforms can also help the Group's distributors and their authorised retailers to clear odd-sized products or out-of-season products. At present, as more high-premium and popular co-branded products are launched on the e-commerce platforms, the development of e-commerce is more healthy and reasonable.

361° successfully attracted a large number of young consumers with the official launch of its co-branded product series with IP on the e-commerce platforms. The *361°* brand receives wider recognition as the e-commerce platforms efficiently connect the brand with the nijigen group, Z-generation group, basketball group and running group, etc. The co-branding conducted with IP owners has increased the exposure of the products and successfully raised the publicity of relevant topics. The co-branding events reached the fans of the original IP, while also turning the brand into a hot topic quickly, increasing the products' popularity, and creating opportunities to attract younger and diversified brand audiences. In addition, the co-branded products were designed by integrating IP elements. This not only can add a premium to the products' prices, but also can increase the profitability and contribute to the upgrading of the brand.

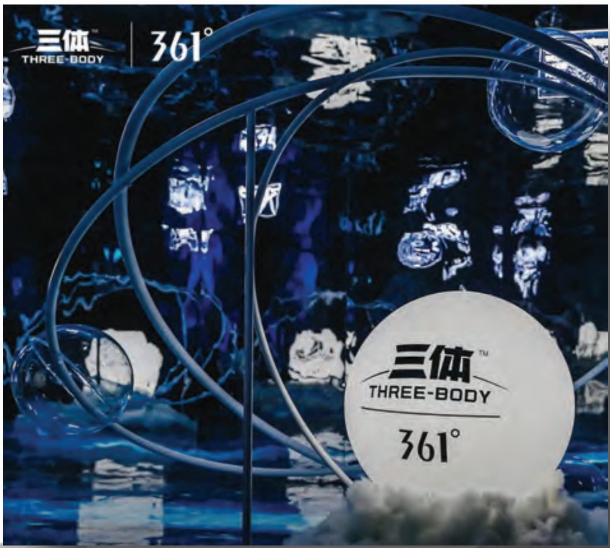


In 2020, through the continuous cooperation with owners of various well-known and prestigious IPs, co-branded products launched by *361°* became a hot topic in the mainstream market and hot items on the e-commerce platforms. The Group's co-operation with Saint Seiya, Pokémon, The Three-Body Problem, Initial D, QQ Speed, Gundam, PepsiCo, Minions and Captain Tsubasa has increased the interest of young customers in the *361°* brand. This, at the same time, enabled the brand to attract more attention on e-commerce platforms.

During the year under review, the Group continued to improve the efficiency of the e-commerce platform so as to foster it as a debut platform for new products and co-branded products. Meanwhile, *361°* responded to the upsurge in delivery of goods during live streaming in the market, and successively carried out numerous live streaming shows with specific themes and rich content on well-known domestic live streaming platforms such as Tmall, Kuaishou, Tiktok, Bilibili and Alipay Sports. With approximately 2,200 live streaming shows launched in 2020, the live streaming business achieved an exponential growth as compared with that in 2019. Particularly, on 16 June 2020, a live streaming event was launched in the United States, mainland China, and Taiwan by *361°* brand's spokespersons, international star Aaron GORDON, idol rapper VAVA, and a well-known host Tang Zhizhong on *361°* Tmall flagship store. The market responded enthusiastically, achieving considerable sales of Aaron GORDON endorsed basketball shoes and clothing. The implementation of live streaming has brought *361°* brand professional sports products with fashionable attributes to the core consumer groups quickly. Such way has driven sales growth with recreational marketing and has played a great role in brand promotion at the same time.

In July 2020, the Group entered into a limited partnership agreement with Jinjiang City Jinfa Equity Investment Partnership (Limited Partnership)*（晉江市晉發股權投資合夥企業（有限合夥））("Jinfa Equity") and Zhejiang Yingshi Equity Investment Fund Management Partnership (Limited Partnership)*（浙江盈實股權投資基金管理合夥企業（有限合夥））("Zhejiang Yingshi") in respect of the establishment of a limited partnership by joint investment. According to the Limited Partnership Agreement, Sanliuyidu China (a wholly-owned subsidiary of the Company) and Jinfa Equity (as limited partners) will contribute RMB550.1 million and RMB548.8 million respectively, while Zhejiang Yingshi (as a general partner) will contribute RMB1.1 million. In addition, the partnership agreed to make an investment of RMB1.1 billion in cash into Duoyidu (Quanzhou) E-commence Co., Ltd（多一度（泉州）電子商務有限公司）, the e-commerce platform of the Group. In the future, the Group will take advantage of the strength of Jinfa Equity as a state-owned enterprise and the professional management experience of Zhejiang Yingshi to accelerate digital transformation and drive business growth with big data; create marketing events for best-selling product categories such as running shoes and basketball shoes jointly with Tmall; significantly upgrade the e-commerce teams for interface design and operation by recruiting high-calibre talent; and increase investment in the development, design and operation of online-exclusive products and the upgrade of the supply chain which is capable of timely responses.

The revenue from the sales of online-exclusive products of the Group contributed approximately 15.4% of the Group's total revenue during the year under review.

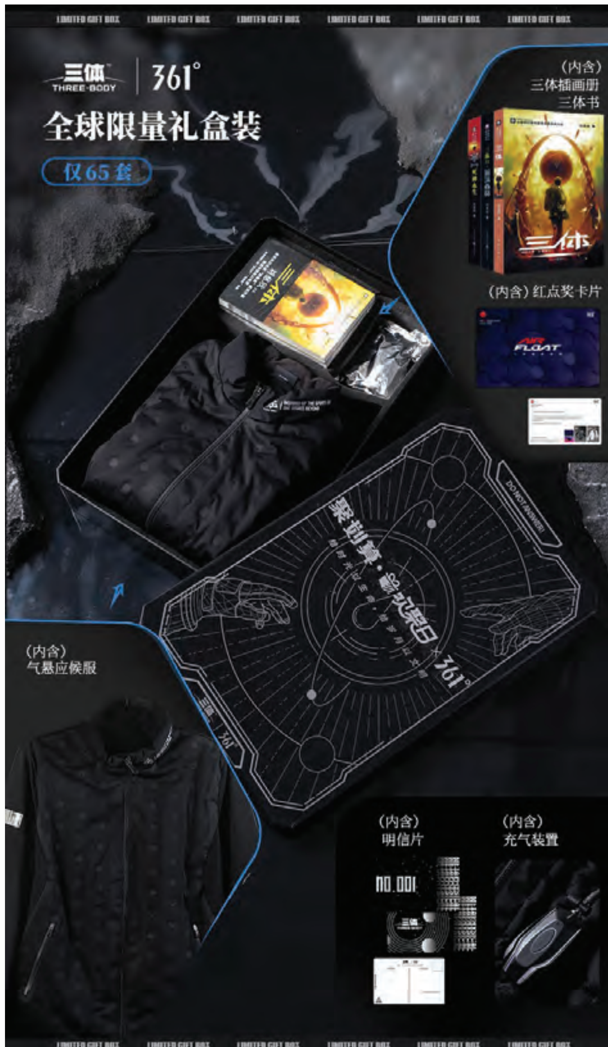


Production

During the year under review, there has been no change to the Group's production policy on striking a balance between in-house production and outsourcing to original equipment manufacturers ("OEMs") in terms of costs, production scheduling and intellectual property rights. For footwear products, the Group manufactures up to approximately 70% of its footwear products at its two factories at Jiangtou and Wuli in Jinjiang, Fujian Province, the PRC and outsources the remainder to a number of quality factories. The Jiangtou factory houses 14 production lines and has an annual production capacity of 12 million pairs of footwear products. The Wuli Industrial Complex in the Wuli Economic Zone houses nine production lines with an annual production capacity of 9 million pairs of footwear products. For apparel products, the Group operates production facilities in Jinjiang City that have the capacity to produce approximately 30% of the Group's products to meet the market's demand whilst the production of the remainder is contracted to other factories.

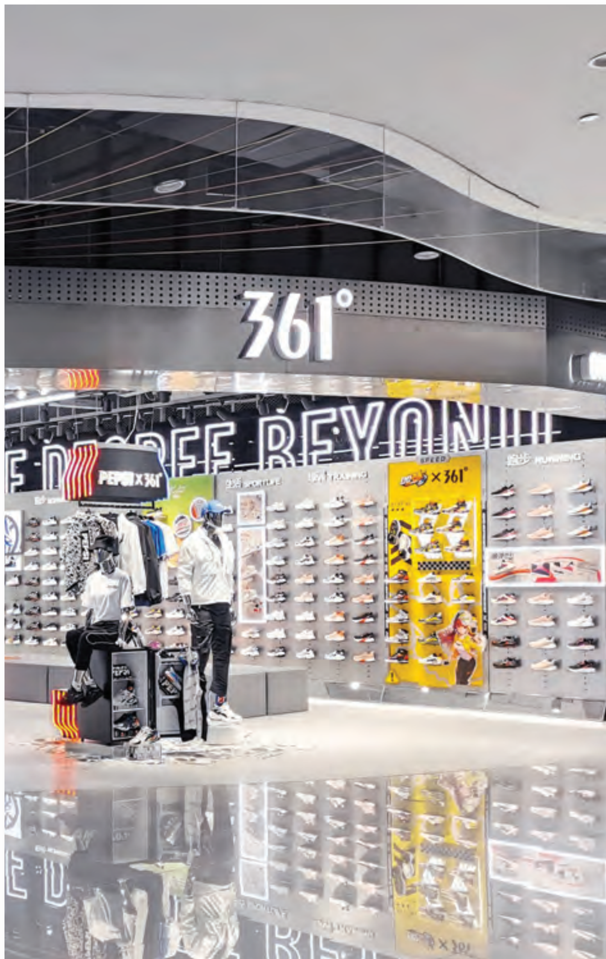
Research and Development

The Group has been consistently strengthening its product innovation, enhancing its R&D capabilities, optimising product design and achieving product differentiation through technology, so as to cater to demands of different markets and consumers. Regarding the R&D of *361°* products, the Group strives to continuously enhance the level of comfort, functionality and technological advantage of its products through scientific experiments in kinesiology with ergonomics as its theoretical basis, with a view to improving the workout performance of sports enthusiasts. The Group's research center, which is located in Wuli Industrial Park, Jinjiang, Fujian Province, has advanced capabilities and equipment to carry out testing and has been awarded various titles such as national advanced technology enterprise, national green factory, national sports industry demonstration unit, national industrial design center and provincial technology center. It can support the research and innovation experiments of intelligent sports equipment, structural sports equipment, functional sports equipment, functional material R&D.



The Group continued to focus on product R&D and innovation. The "bright sunshine and gentle breeze" Sorona-R filled sportswear developed jointly by the Group and the suppliers was awarded "2019 Top 10 categories of innovative textile products" ("2019年度十大類紡織創新產品") issued by China National Textile and Apparel Council, and *361°* Air-suspended Down Jackets (氣懸羽絨服) also won the "2020 Red Dot Award for Product Design" ("二零二零年度產品設計紅點獎") in the Global Red Dot Competition. This has fully demonstrated the Group's advantage in product R&D and its potential for technological innovation.

In addition, the Group continued to explore proprietary technology products and successfully released the Q³ technology platform for shoe soles. The Group also horizontally integrated science and technology, launched a series of products in the QU!KFOAM family such as Q Elastic Super（Q彈超）, Q Elastic Pure（Q彈淨界）, Q Elastic Mecha（Q彈猛甲）and Q Elastic Titanium Speed（Q彈鈦速）. The Group upgraded the products' appearances and configuration with technology, thereby expanding the scope of applications of the overall products series as well as enhancing the strength of its products and making breakthroughs. Q Elastic Pure（Q彈淨界）won the ISPO "Global Design Award in the Running Shoe Category in 2020" ("二零二零年度跑鞋品類全球設計獎"), fully demonstrating the recognition of *361º* products by the industry in China and abroad.



At a Brand Day held at the end of 2020, *361º* launched new 3TECH System Aaron GORDON signature shoes "AG1-PRO", an upgraded version, which combined elements from The Three-Body Problem, 3TECH running shoes and Space Signal basketball shoes（籃潮-信号鞋）as well as suspended space clothing "HENG" ("恒") designed with Red Dot Design Award winning technology. 3TECH integrates the technologies of NFO, QU!KFOAM and QU!KBALANCE. The NFO materials, in particular, to which high-performance elastomer is added, has the elastic force that makes the shoes comfortable. The QU!KFOAM material features super flexibility and a high-level of vision while The TPU in QU!KBALANCE material transmits the pressure from the front to the rear of the feet while the embedded fiberglass board enables rapid response and resistance against twisting. The launch and application of 3TECH technology demonstrated the consistent R&D efforts made by *361º* to improve the strengths of its products so as to meet the demands of different markets and consumers.

As of 31 December 2020, the Group obtained 395 patents with a total of 721 technicians engaging in product R&D, including 451 footwear research staff, 225 apparel research staff and 45 kids wear and accessories research staff.

During the year under review, the Group's expenditure on R&D accounted for 4.0% of the Group's total revenue and is expected to increase due to the Group's intensifying efforts to carry out the product upgrading program for combining functionality and design, with the aim of creating more distinctive products.

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded a year-on-year revenue decrease of 9.0% to RMB5,127.0 million (2019: RMB5,631.9 million) of which 18.2% and 1.1% of the total revenue was contributed by the Kids business and business grouped under others (namely, sales of shoe soles), respectively. The balance of 80.7% of the revenue was mainly contributed by the *361º* core brand products, *361º* International and e-commerce businesses.

Due to the adverse impact caused by the epidemic in the first half of this year, the sales of the *361º* core products namely, footwear, apparel and accessories, for the year under review, recorded a year-on-year decrease of 12.8%, 2.8% and 47.3%, respectively. During the year under review, over 95% of the 2020's spring, summer, fall and winter products were delivered and their respective revenues were recognised. The remaining 5% mainly contributed by the 2020's winter products which were delivered at the beginning of 2021.

For the year under review, the proportion of footwear sales to the total revenue slightly adjusted to 40.7% from 42.4%, whereas the proportion of apparel sales increased from 36.6% to 39.0% year-on-year. Footwear products were still the strongest products among all *361º* core brand products and apparel products, which have demonstrated to become a significant growth driver for the Group.

The average wholesale price (the "AWP") of footwear, apparel and accessories dropped by 5.7%, 18.1% and 35.5% year-on-year, respectively, which was mainly due to the downward adjustment of the AWP for the distributors of the existing products across the lines in order to support the distributors in the adverse market situation caused by the epidemic in 2020. Furthermore, the sales volume of footwear products decreased by 7.5% year-on-year, which was mainly due to the negative impact caused by the epidemic in 2020. The increase in sales volume of apparel products by 18.8% year-on-year was mainly contributed by a greater downward adjustment on the selling price which boosted the sales volume during the year under review.

For accessories, the Group regarded this category of products as complementary to the footwear and apparel products, and an enrichment to the product mix, As a result of the adverse impact caused by the epidemic during the year under review, both the sales volume and AWP decreased by 18.1% and 35.5% year-on-year, respectively, leading to a decrease of 47.3% year-on-year in the revenue of accessories.

In terms of the overseas business, the revenue decreased by 45.9% year-on-year to RMB71.4 million (2019: RMB131.9 million) and accounted for approximately 1.4% of the total revenue of the Group. Despite the revenue from the overseas business was adversely affected by the epidemic in the first half of 2020, the Group successfully explored new markets in various countries by the international team and significantly turned around in the second half of 2020.

Although the revenue of *361°* Kids decreased by 6.7% year-on-year to RMB932.3 million (2019: RMB998.9 million), it was still a key source of sales revenue to the Group which accounted for 18.2% of the Group's revenue during the year under review. The decrease was mainly caused by the adverse market situation under the epidemic in the first half of 2020 which led to the decrease in sales volume by 16% year-on-year. The decrease in sales volume was partly off-set by the increase in AWP by 11.2% year-on-year. Unlike *361°* core brand, the *361°* Kids business focuses more on apparel products than footwear products.

The revenue for the sales of the Group's web-exclusive products from e-commerce business decreased by 13.6% year-on-year to RMB791.5 million (2019: RMB915.8 million) and accounted for approximately 15.4% of the total revenue for the year under review. Although the sales revenue generated from e-commence declined, the Group believes that the contribution from the e-commerce business will be of great significance to the Group's revenue in view of the change in consumers' preference from traditional offline shopping in physical stores to online shopping amid the epidemic and the Group has decided to make a substantial investment to develop and expand its e-commence business in the coming years.

The revenue grouped under "Others" represented the revenue from the sales of shoe soles to independent third parties by a 51%-owned subsidiary. For the year under review, approximately 69.0% of products from this subsidiary were sold to the Group and the remaining portion were sold to third parties. The revenue grouped under "Others" for the year ended 31 December 2020 was RMB58.7 million (2019: RMB86.7 million) accounting for about 1.1% of the total revenue of the Group.

The following table sets out a breakdown of the Group's revenue by products for the years indicated:

	For the year ended 31 December 2020		For the year ended 31 December 2019		
	RMB'000	% of Revenue	RMB'000	% of Revenue	Changes (%)
By Products					
Revenue					
Adults					
Footwear	2,081,276	40.7	2,386,967	42.4	–12.8
Apparel	2,001,807	39.0	2,059,087	36.6	–2.8
Accessories	52,826	1.0	100,201	1.8	–47.3
Kids	932,330	18.2	998,888	17.7	–6.7
Others[(1)]	58,719	1.1	86,723	1.5	–32.3
Total	5,126,958	100	5,631,866	100	–9.0

Note:

(1) Others comprised of sales of shoe soles.

The following tables sets out the number of units sold and the AWP of the Group's main products for the years indicated:

	For the year ended 31 December 2020		For the year ended 31 December 2019		Changes	
	Total units sold '000	AWP[(1)] RMB	Total units sold '000	AWP[(1)] RMB	Units sold (%)	AWP (%)
By volume and AWP						
Adults						
Footwear (pairs)	19,215	108.3	20,768	114.9	–7.5	–5.7
Apparel (pieces)	25,735	77.8	21,670	95.0	+18.8	–18.1
Accessories (pieces/pairs)	4,858	10.9	5,935	16.9	–18.1	–35.5
Kids	12,321	75.7	14,675	68.1	–16.0	+11.2

Note:

(1) The AWP represents the revenue divided by the total units sold for the year.

Cost of Sales

Cost of sales comprised the cost of in-house production and outsourcing cost. During the year under review, the cost of in-house production slightly increased by 0.8% year-on-year which was primarily due to the increase in the raw material cost by approximately 3.1% year-on-year, and it was partly off-set by the decrease in labour costs of 5.9% year-on-year. The cost of outsourced products decreased by 9.1% year-on-year.

The cost of outsourced products included an amount of RMB11.1 million which represented a provision for slow-moving inventories for the overseas market as the sales were adversely affected by the epidemic during the year under review.

The mix of the in-house produced products and outsourced products remained stable and there was no significant change in the production mix and cost components during the year under review.

The overall cost of sales of the Group for the year under review decreased by 5.3% year-on-year to RMB3,185.2 million (2019: RMB3,362.3 million) which was in line with the decrease in sales revenue resulted from the adverse market situation amid the epidemic.

The following table sets out a breakdown of cost of sales for the years indicated:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	% of total costs of sales	RMB'000	% of total costs of sales
Footwear & Apparel (In-house Production)				
Raw materials	829,175	26.0	803,952	23.9
Labour	159,083	5.0	168,970	5.0
Overheads	319,566	10.0	324,702	9.7
	1,307,824	41.0	1,297,624	38.6
Outsourced Products				
Footwear	724,186	22.8	864,610	25.7
Apparel	1,105,015	34.7	1,116,789	33.2
Accessories	48,200	1.5	83,227	2.5
	1,877,401	59.0	2,064,626	61.4
Cost of sales	3,185,225	100.0	3,362,250	100.0

Gross Profit and Gross Profit Margin

Gross profit was RMB1,941.7 million (2019: RMB2,269.6 million) for the year of 2020, representing a decrease in the gross profit margin by 2.4 percentage points year-on-year to 37.9%.

During the year under review, the gross profit margin of footwear, apparel, accessories and 361° Kids products dropped by 1.8, 4.6, 0.9 and 1.1 percentage points year-on-year, respectively whereas the gross profit margin of "Others" increased by 3.1 percentage points year-on-year.

The gross profit margin of footwear slightly decreased from 40.4% to 38.6% year-on-year, which was mainly due to the decrease in the AWP to distributors in view of the adverse impact to the market demand brought by the epidemic. However, the negative impact was partly offset by the introduction of new products with higher gross profit margins to the market during the year under review.

The gross profit margin of apparel dropped by 4.6% to 36.7% year-on-year (2019: 41.3%) which was mainly attributable to the reduction in the AWP to distributors with an aim of boosting sales under the epidemic situation during the year under review.

For accessories, the gross profit margin slightly decreased by 0.9 percentage points to 28.4% during the year under review (2019: 29.3%) as a result of the downward adjustment of the AWP to distributors under the adverse market situation caused by the epidemic.

The gross profit margin of the *361°* Kids business slightly dropped by 1.1 percentage points to 41.0% during the year under review (2019: 42.1%). The decrease was mainly due to the reduction in the AWP to distributors in order to stimulate the sales amid the weak market demand, which was off-set by the benefit of crossover products introduced to the market and products with a higher margin sold in the second half of the year.

The gross profit margin of shoe soles, categorised under "Others", was 9.6% (2019: 6.5%), increased by 3.1 percentage points year-on-year. The increase in the gross profit margin was due to the acceptance of more orders with higher margins in the second half of the year.

The following table sets forth a breakdown of the gross profit and gross profit margin during the years under review:

	For the year ended 31 December 2020		For the year ended 31 December 2019		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Changes Percentage point
Adults					
Footwear	804,188	38.6	963,657	40.4	–1.8
Apparel	734,532	36.7	851,032	41.3	–4.6
Accessories	15,002	28.4	29,321	29.3	–0.9
Kids	382,380	41.0	419,985	42.1	–1.1
Others(1)	5,631	9.6	5,621	6.5	+3.1
Total	1,941,733	37.9	2,269,616	40.3	–2.4

Note:

(1) Others comprised of sales of shoe soles.

Other Revenue

Other revenue of RMB279.0 million (2019: RMB236.8 million) mainly comprised of (i) an accrued interest income of RMB106.3 million (2019: RMB104.7 million) earned from bank deposits both in Hong Kong and the PRC; (ii) the discretionary government subsidies of RMB113.0 million (2019: RMB108.0 million) mainly in relation to the Group's contribution to local economies; (iii) the commission of RMB55.8 million (2019: RMB12.0 million) earned from the selling of distributors' inventories through the e-commerce business.

Other Net Gain/(Loss)

The other net gain of RMB46.3 million (2019: other net loss of RMB29.7 million) was mainly attributable to the net foreign exchange gain of RMB46.2 million (2019: exchange loss of RMB30.1 million). The Group's principal business is located in the PRC and adopts Renminbi as its functional currency. The appreciation of Renminbi resulted in currencies gain to a few subsidiaries with the use of functional currencies other than Renminbi. It is common that subsidiaries have temporary current accounts' movements among each other, the timing difference of converting local currencies to Renminbi along the time of advancements and repayments incurs currency gain or loss.

Besides, the appreciation of the Hong Kong dollars against the US dollars also contributed to the unrealized exchange gain from the translation of senior unsecured US dollars notes into the Hong Kong dollars at the year end.

Selling and Distribution Expenses

During the year under review, selling and distribution expenses dropped by 6.1% year-on-year to RMB963.7 million (2019: RMB1,026.8 million). The selling expenses mainly comprised advertising and promotional expenses, online selling expenses, packing expenses and others.

Advertising and promotional expenses dropped by 2.6% year-on-year to RMB494.7 million (2019: RMB507.8 million) which accounted for approximately 9.6% (2019: 9.0%) of the Group's revenue. During the year under review, the Group incurred fewer expenses to sponsor sport events and adopted a tighter control on the advertising and promotional expenses in the first half of 2020 in view of the adverse market situation caused by the epidemic. As the Chinese government successfully controlled the epidemic since the end of the second quarter of 2020 with the overall market situation improved and the spending powers came back, the Group took a more aggressive approach for launching advertisement and promotion activities in the second half of 2020 in order to boost sales. The Group believes that these endeavours would strengthen the Group's competitiveness and maintain its brand exposure to the public.

The online selling expenses mainly consisted of commission, other service fees and advertising expenses paid to the e-commerce platforms, such as Tmall and JD.com, and the direct selling and distribution expenses in relation to the e-commence business. During the year under review, the online selling expenses increased by 5.0% year-on-year to RMB238.3 million (2019: RMB226.9 million) which was mainly attributable to the increase of advertising and promotion expenses via the e-commerce platforms and the e-commerce platform services expenses amounted to RMB146.1 million (2019: RMB123.9 million). Other expenses including salaries and expenses in running the e-commerce business amounted to RMB92.2 million (2019: RMB103.0 million).

Administrative Expenses

Administrative expenses reduced significantly by 22.6% year-on-year to RMB441.1 million for the year under review (2019: RMB569.8 million), representing about 8.6% (2019: 10.1%) of the Group's revenue. The decrease was mainly attributable to the reduction in staff costs by RMB23.9 million and the adoption of tightened cost control of its operations such as travelling, entertainments and office overheads which were in aggregate reduced by RMB63.1 million during the year under review.

Research and development expenses reduced by 4.6% year-on-year to RMB204.5 million (2019: RMB214.3 million), which accounted for 4.0% (2019: 3.8%) of the Group's revenue for the year under review. Despite the decrease in the Group's revenue and the uncertainty of market situation caused by the epidemic, the Group still maintained its research and development expenses to be in the range of 3-4% of the total revenue per year, in order to enhance the Group's product development and competitiveness in the market.

Provision for Impairment Loss

Due to the uncertain market situation under the epidemic, the Group made an additional provision for impairment loss arising from trade debtors of RMB39.5 million charged for the sake of prudence for the year under review whereas an amount of RMB7.0 million of impairment loss in previous year was written back. The total provision for impairment loss arising from trade debtors as at 31 December 2020 amounted to RMB90.3 million (2019: RMB50.8 million) which represented 4.0% (2019: 2.4%) of the trade debtors before provision at the year end.

Finance Costs

During the year under review, finance cost decreased by 23.1% year-on-year to RMB167.3 million (2019: RMB217.5 million). This mainly represented interest relating to the bank borrowings of RMB7.5 million (2019: RMB6.6 million) and the relevant interest and cost in relation to the senior unsecured notes with an aggregate principal amount of US$400,000,000 7.25% due 2021 (the "US$ Notes") issued on 3 June 2016 amortised over the period of RMB159.6 million (2019: RMB210.5 million). The decrease in finance cost was mainly due to the commencement of the repurchase of senior notes programme in the open market and the cancellation of the repurchased Notes since 2019 which caused the reduction of the outstanding principal of the senior notes during the year under review.

As at 31 December 2020, the short-term bank borrowings of RMB200 million was in relation to financings for the operation of a subsidiary in the PRC and the remaining RMB10.2 million was in relation to a mortgage bank loan for financing the acquisition of an office in Hong Kong and the trust receipts of Group's subsidiary.

The finance cost of the US$ Notes accrued during the year under review was RMB159.6 million, of which, RMB149.0 million was related to the accrued interest during the year under review and RMB10.6 million was the relevant cost incurred for the issuance of the US$ Notes amortised over the tenor of five years.

Income Tax Expense

During the year under review, income tax expense of the Group amounted to RMB206.2 million (2019: RMB252.7 million) and the effective tax rate was 29.4% (2019: 35.0%). The Group's major mainland China-based operating subsidiaries are subject to the standard corporate income tax rate of 25% except that one of the subsidiaries has obtained a tax rate reduction to 15% granted by a local tax authority in late 2018. No provision has been made for profit tax of the subsidiaries in Hong Kong since no operating income was generated in Hong Kong. As the US$ Notes were issued and listed in Hong Kong, the relevant interest and cost have been all accrued and paid by the holding company. Such finance costs were not allowed to be deducted from the taxable income of the Group's China-based operating subsidiaries.

Since the amount of finance costs was reduced due to the repurchase of US$ Notes and an unrealized exchange gain arose from the current account movement among the subsidiaries made by the Hong Kong-based companies during the year under review, it resulted in a reduction of the effective tax rate comparing with 2019.

Non-controlling interest

The increase in non-controlling interest was mainly due to an increase in profit of *361°* Kids business and the dilution effect appeared during the year under review subsequent to the completion of the restructuring of the *361°* Kids business by transferring the whole *361°* Kids operations to a 87%-owned subsidiary in September 2019 and the increase in profit arising from a 72.13%-owned subsidiary which was engaged in the e-commerce business.

CAPITAL AND OTHER INFORMATION

Liquidity and Financial Resources

During the year under review, net cash inflow from operating activities of the Group amounted to RMB20.7 million. As at 31 December 2020, cash and cash equivalents, including bank deposits and cash in hand, and fixed deposits with original maturities not exceeding three months, amounted to RMB3,451.3 million, representing a net increase of RMB33.2 million as compared to the position as at 31 December 2019.

The net increase was mainly attributable to the following items:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net cash generated from operating activities	20,664	630,165
Net capital expenditure	(7,413)	(13,039)
Dividends paid	(27,804)	(169,543)
Net withdrawal of pledged deposit	168,047	96,730
Proceeds from bank loans	200,948	100,000
Proceeds from an investor for capital injection of a subsidiary	349,940	150,000
Repayment of bank loans	(101,270)	(101,221)
Net uplift of deposits (with maturity over three months)	–	1,500,000
Interest received	100,480	87,381
Interest paid	(156,403)	(200,094)
Payment for repurchase of US$ Notes	(504,452)	(314,957)
Other net cash (outflow)/inflow	(9,501)	924
Net increase in cash and cash equivalents	33,236	1,766,346

The positive net cash generated from operating activities amounted to RMB20.7 million for the year ended 31 December 2020, which was mainly caused by the reduction of operating profit, the decrease in the amount of inventories and bills receivable, increase in trade receivables, deposits, prepayments and other receivables and decrease in trade and other payables. As at 31 December 2020, certain products being manufactured by subcontractors were not completed and delivered to the Group, which led to the decrease in inventories and the increase in prepayments this year. The decrease in trade and other payables mainly represented the decrease in bills payable issued by the Group's subsidiaries in the PRC.

During the year under review, capital expenditure of RMB7.4 million was mainly incurred for the maintenance of facilities in relation to production and staff accommodation in Wuli Industrial Park, Jinjiang. The net withdrawal of pledged bank deposit amounting to RMB168.0 million during the year under review was principally used for the settlement of bills payable to suppliers. The proceeds from the new short-term bank loan of RMB200.1 million was principally used for the operation of a PRC subsidiary. The Group received an aggregate amount of RMB349.9 million from investors for the investment in the Group's E-commerce business which represented approximately 13.1% equity interest of the Group's E-commerce business on a fully diluted basis (Further information can be obtained under the heading of "Modern E-commerce" on page 24). The Group also repaid a short-term bank loan amounting to RMB101.3 million. The interest paid of RMB156.4 million during the year under review represented mainly the interest of the US$ Notes. The interest received amounted to RMB100.5 million representing interest income generated from the fixed deposits placed in the PRC and Hong Kong. The Group used RMB504.5 million to partially repurchase the US$ Notes in the market.

The Group's gearing ratio was 16.7% as at 31 December 2020 (2019: 21.2%) (The details of the calculation can be found on Note 3 of page 3). Other than the short-term bank borrowings, the mortgage and the US$ Notes, the Group has not used other debt instruments to finance its operations for the year ended 31 December 2020.

Treasury Policy and Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group also pays declared dividends in Hong Kong dollars.

The Group manages its foreign exchange risk by matching the currency of its loans and borrowings with the Group's functional currency of major cash receipts and underlying assets as much as possible. As at 31 December 2020, only the borrowings from US$ Notes were at a fixed rate of 7.25% per annum and the others were at a floating rate between 1% to 4.15%. As part of its policy, the Group continues to monitor its borrowing profiles (including fixed and floating interest rates), taking into consideration of the funding needs and market conditions to minimise the interest rate exposures. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

During the year under review, the Group did not carry out any hedging activity against foreign currency risk.

Pledge of Assets

As at 31 December 2020, a building with a net book value of RMB39.8 million (2019: RMB43.6 million) was pledged as security for a banking facility of the Group of RMB36.8 million (2019: RMB39.3 million). The aforesaid banking facility was used to finance the acquisition of an office unit in Hong Kong. The office unit is for the Group's own use and not for any investment purpose. Bills payable as at 31 December 2020 were secured by pledged bank deposits of RMB62.6 million (2019: RMB230.7 million).

Working Capital Management

The average working capital cycle for the year ended 31 December 2020 was 119 days (2019: 90 days). The increase was mainly due to the increase in the trade and bills receivable turnover cycle and a reduction in the trade and bills payable turnover cycle despite an improvement in the inventory turnover days.

The average trade and bills receivable cycle was 159 days for the year ended 31 December 2020 (2019: 149 days), representing an increase of ten days. Due to the adverse impact caused by the epidemic, the Group has extended the credit period to the distributors which led to the increase in the average trade and bills receivable cycle during the year under review. In view of the uncertain market situation under the epidemic, the Group has closely monitored the situation of its trade and other receivable and made an additional provision for impairment losses of RMB39.5 million charged for the sake of prudence during the year under review. The amount of trade and bills receivable increased by 2.6% to RMB2,257.4 million from RMB2,199.4 million year-on-year while the Group's turnover decreased by 9.0%. Approximately 74.1% of the debts were within 90 days and 17.1% debt were over 90 days but within 180 days. The Group has been staying in touch with all distributors and believes that there will be an improvement in the average trade and bills receivables.

The average inventory turnover cycle was 111 days for the year ended 31 December 2020 (2019: 120 days), representing a decrease of 9 days. About 92.9% of the inventory was finished goods which comprised of mainly 2020 winter and 2021 spring products. Although the inventory turnover cycle decreased, the Group recognised a provision for slow-moving inventory charged for its overseas markets amounted to RMB11.1 million for the year under review (2019: Nil) on the ground of the uncertain market situation under the epidemic. The Group believes that the inventory management will be further improved in the forthcoming year.

As at 31 December 2020, prepayments to suppliers increased by 76.9% to RMB799.2 million year-on-year (2019: RMB451.8 million). The prepayments were deposits paid to suppliers for the acceptance of orders for production of the 2021 spring and summer trade fairs' products. The balance of other prepayments of RMB28.9 million (2019: RMB79.9 million) was mainly the payment in relation to the advertising and promotion contracts.

The average trade and bills payable cycle decreased by 28 days to 151 days (2019: 179 days) for the year ended 31 December 2020. In order to stabilize the long-term relationship with suppliers, the Group, upon the requests made by the suppliers, agreed to shorten the settlement period to demonstrate a continued support to the suppliers under the difficult time caused by the epidemic. The Group believes that the average trade and bills payable cycle can be improved after the market situation become stable in the forthcoming year.

Senior Unsecured Notes

On 3 June 2016, the Company issued the US$ Notes with an aggregate principal amount of US$400 million at an interest rate of 7.25% per annum due 3 June 2021 at an offering price of 99.055% of the aggregated principal amount of US$400 million and listed on the Stock Exchange in Hong Kong (bond stock code: 5662). The net proceeds were mainly used for financing the redemption of the RMB1.5 billion 7.5% senior unsecured notes due 2017 issued in September 2014 (bond stock code: 85992), development of overseas business and general working capital.

As at 31 December 2020, the Group repurchased and cancelled US$ Notes with an aggregate principal amount of US$80,140,000 (2019:US$53,750,000) in the open market and the relevant gain of RMB46.2 million (2019: RMB52.6 million) was recorded during the year under review. The outstanding principal amount of the US$ Notes was US$266,110,000 (2019:US$346,250,000) as at 31 December 2020.

Subsequent to the year 2020, the Group further repurchased and cancelled US$ Notes with an aggregate principal amount of US$138,300,000 via a tender offer to the note holders which represented approximately 35% of the initial aggregate principal amount of the US$ Notes. Up to the date of this report, the remaining aggregate principal amount of the US$ Notes outstanding was US$127,810,000.

Contingent Liabilities

For the year ended 31 December 2020, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposals

For the year ended 31 December 2020, the Group had no material acquisition or disposal of subsidiaries or associates.

E-commence Business

On 16 July 2020, the Group entered into a limited partnership agreement (the "Limited Partnership Agreement") with two independent third parties in respect of the establishment of a limited partnership in the PRC (the "Partnership"). According to the Limited Partnership Agreement, the total amount of capital commitments of the Partnership is RMB1,100.0 million, of which the Group and the two independent third parties will contribute RMB550.1 million, RMB548.8 million and RMB1.1 million, respectively.

On the same date, after the establishment of the Partnership, all the partners in the Partnership entered into a capital increase agreement (the "Capital Increase Agreement") with (i) shareholders of Duoyidu (Quanzhou) E-commence Co., Ltd.（多一度（泉州）電子商務有限公司）("Duoyidu Quanzhou"), an indirect non-wholly owned subsidiary of the Company and (ii) Duoyidu (Quanzhou), pursuant to which the Partnership agreed to make an investment into Duoyidu Quanzhou of RMB1,100.0 million by cash (the "Investment') in return for an approximately 35.85% equity interest in Duoyidu Quanzhou on a fully diluted basis.

As at 31 December 2020, RMB700 million of the capital contribution made by the Partnership to Duoyidu Quanzhou has been paid up and the remaining RMB400 milllion has been received as at the date of this report. The effective direct and indirect equity interest in Duoyidu Quanzhou owned by the Group was diluted to around 72.1% as at 31 December 2020.

The Group believes that such arrangements would provide a good opportunity with access to additional source of capital to facilitate the further development of the Group's e-commerce business.

Significant Investments

For the year ended 31 December 2020, the Group had no significant investment.

As at the date of this report, the Group does not have any future plan for material investment or capital assets.

Employees and Emoluments

As at 31 December 2020, the Group employed a total of 6,319 full time employees, which included management staff, technicians, salespersons and workers. For the year ended 31 December 2020, the Group's total remuneration paid to employees was RMB502.2 million, representing 9.8% of the Group's revenue. The Group's emolument policies are based on the performance of individual employees and formulated to attract talent and retain quality staff. Apart from the mandatory provident fund scheme, which is operating in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees and the state managed retirement pension scheme for the PRC-based employees and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance. The Group believes its strength lies in the quality of its employees and has placed a great emphasis on fringe benefits. The Group also continuously offers comprehensive trainings to employees that aims to foster a learning culture that could strengthen employees' professional knowledge and skills.

PROSPECTS

In 2020, China's GDP exceeded RMB100 trillion, showing signs of an accelerating recovery. The country has been firmly on track for an economic upswing for the long term. According to the forecast of World Economic Outlook, global economy is expected to accelerate in the second half of 2021 and China will lead the rest of the world in economic recovery. Sports industry has been in the spotlight amid the epidemic because it is closely related to national health. A number of favorable government policies were introduced to facilitate recovery in the sports industry. Sports industry will play an increasingly important role in the national economy.

In 2020, the per capita disposable income of Chinese residents grew by 4.7% to RMB32,189, laying the foundation for the continuing expansion of the sports consumption. Meanwhile, China now has the largest middle-class population in the world and that population is still growing. According to the preliminary forecast of the Development Research Center of the State Council, the middle-class population in China will exceed 560 million by 2025. With stronger buying power and desire for purchase, that middle class is putting more emphasis on the product's quality and distinctive character. This will stimulate the diversification of the sports industry and inject new energy into sports consumption.

Looking ahead to 2021, which is the first year of the "14th Five-Year Plan", sports industry in China will enter a stage of higher-quality development. *361º* will continue to prioritise consumer needs and reinforce its positioning as a specialised, youthful, and internationalised brand that is appealing to a broad market with a competitive advantage of product differentiation.

When building its core brand, the Group will thoroughly explore the needs of consumers at large to create higher-value products. It will also give full play to its advantage of cooperation with IP owners and combine that advantage with the professionally designed functions of *361º* products. This will enable the Group to successively launch the "Science Fiction Functions" product series to attract more consumers. Meanwhile, the Group's kids' wear business, which has been repositioned as "New Technology-driven China-Chic", will develop more products that incorporate professional functionality, health technology and fashion elements so as to capitalise on the government policy on fostering youth and teenage sports. For instance, the Group will continue to increase its strategic presence in the field of youth football training with a view to expanding its market share.

To seize new opportunities in the sporting goods industry, the Group will accelerate the integration of its online and offline retail operations, build up the geographical market coverage of its ninth-generation brand image stores with prudence and conduct online marketing for product categories with advantages. All these can enhance both the consumer experience and its brand equity. The Group's e-commerce business will speed up the digital transformation of its e-commerce platform and raise the efficiency of the supply chain, thereby consolidating and expanding its market share in various online sales channels. The Group will also actively invest in R&D to enhance both the strength and competitive advantage of its products with technology.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited financial statements for the year ended 31 December 2020.

BUSINESS REVIEW

General

For the review of the business of the Group for the year ended 31 December 2020, please refer to the section headed "Management Discussion and Analysis – Business review" on pages 12 to 27 of this report.

Principal risks and uncertainties facing the Group

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company, and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks pertaining to the sportswear market in the PRC

The Group's business is subject to laws and regulations applicable to the sportswear industry in the PRC. These laws and regulations are subject to change and their interpretation and enforcement involve uncertainties that could limit the legal protections available to the Group. In addition, the PRC legal system is based in part on government policies that may have retrospective effect, which could cause uncertainties to the Group's business as it will not be possible to predict the effect of future developments in the PRC legal system, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. If any of the Group's past operations are deemed to be non-compliant with PRC law, the Group may be subject to penalties and the Group's business and operations may be adversely affected.

Risks pertaining to the distributorship model

The Group relies primarily on a number of third-party distributors for sales of the Group's products. Each distributors has exclusive distribution rights over a certain geographical area, the failure by such distributor to perform its obligations under its distributorship agreement with the Group may result in a material adverse effect on the business of the authorised retailers in such area. Besides, the Group does not have direct control over the authorised retailers to ensure their compliance with the Group's policies, including operational requirements, exclusivity, customer service, store image and pricing. Non-compliance with the Group's policies may cause material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Risk pertaining to the Group's operations

The Group's operations are subject to a number of risk factors distinctive to the sportswear market and the market in general. Default on the part of the Group's distributors, suppliers and joint ventures partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation. Furthermore, the Group's products are non-essential commodities, and thus the Group's sales may be affected by the spending power and disposable income of the retail customers and general consumer sentiments. For instance, with the US-China trade war waging and the uncertainty of whether any deal will be reached between the two countries in the near future, the Directors believe it has caused certain negative impact on the consumers' sentiment towards non-essential commodities such as the Group's products during the year under review.

Risks pertaining to force majeure events, natural disasters or outbreaks of contagious diseases

The Group's business could be adversely affected by natural disasters or outbreaks of epidemics, which may affect the procurement of raw materials and manufacture, sale and exportation of the Group's products. Epidemics, pandemics or outbreaks or escalation of diseases, including, among others, Severe Acute Respiratory Syndromes (SARS), avian influenza, swine flu (H1N1), novel coronavirus in 2019 (COVID-19) and other diseases may affect the livelihood of people in the PRC. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the PRC could severely disrupt the Group's business operations by restricting travel and sales activities and delaying delivery of the Group's products and services, impact the productivity of the workforce, or reduce the demand for the Group's products, which may materially and adversely affect business, financial condition and results of operations of the Group.

Past performance and forward looking statements risks

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

Prospects

For the likely development of the Group's business, please refer to "Management Discussion and Analysis – Prospects" on page 37 of this report.

Post year-end events

Except as disclosed in this annual report, since 31 December 2020, being the end of the financial year under review, no important event has occurred affecting the Group.

Analysis of key financial performance indicators

For details of the key financial performance indicators to the performance the Group's business, please refer to "Financial Summary" on pages 2 and 3 of this annual report.

Environmental policies and performance

The Group emphasises in environmental protection during its production process and doing its part in curbing the global climate change.

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects, including waste water emission permit, solid waste disposal requirements and others.

The Group has also adopted measures in order to achieve efficient use of resources, energy saving and waste reduction. The measures include wastewater and solid waste managements, noise control, greenhouse gas emission and resources management.

The Company will separately publish the Environmental, Social and Governance Report for the year ended 31 December 2020 in compliance with Appendix 27 to the Listing Rules in due course.

Compliance with laws and regulations

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in the PRC and Hong Kong, applicable to it to ensure compliance. Substantially a majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in the PRC. The Group was listed on the Stock Exchange of Hong Kong since 30 June 2009. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

Account of the Group's relationships with its key stakeholders

(i) Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business. During the year under review, the Group considered the relationship with employees was well and the turnover rate was acceptable.

(ii) Suppliers

The Group's suppliers include raw material suppliers and contract manufacturers. A majority of footwear is produced by the Group itself while the Group outsources a portion of manufacturing of its footwear products, majority of apparel products, and all of its accessories products to third-party contract manufacturers. All key suppliers have a close and long term relationship with the Group. During the year under review, the Group considered the relationship with its suppliers was well and stable.

(iii) Distributors

The Group adopted the distributorship model for its products in the PRC ever since the beginning of 2008. Under this model, the Group primarily sells products to distributors in the PRC under distributorship agreements, which generally have a term of one year. Each of the distributors has exclusive distribution right over a certain geographical area in the PRC. The Group maintains very good relationship with all the distributors.

(iv) Authorised retailers

The Group sells products primarily to distributors in the PRC, who in turn sell the same to authorised retailers. Authorised retailers then sell products to consumers. The Group's distributors enter into separate agreements with authorised retailers and require them to comply with the Group's standard operating procedures or policies, which include guidelines on the design and layout of authorised retail outlets, product pricing and customer service. The Group keeps a good relationship with all the authorised retailers through distributors, who act as the bridge of communication.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is incorporated in the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is at Room 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 13 to the financial statements on pages 109 to 112 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group respectively during the financial year is as follows:

	Percentage of the Group's total sales	purchases
The largest customer	12%	
Five largest customers in aggregate	39%	
The largest supplier		4%
Five largest suppliers in aggregate		20%

At no time during the year have the directors, their close associates or any shareholder of the Company (which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 70 to 142 of this annual report.

TRANSFER TO RESERVES AND DIVIDENDS

Profits attributable to equity shareholders, before dividends, of RMB415,065,000 (2019: RMB432,403,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

At the board meeting held on 17 March 2020, the board of directors of the Company has resolved to recommend the payment of the proposed final dividend of HK1.5 cents per share ("2019 Proposed Final Devidend") subject to the approval of the shareholders at the annual general meeting (the"AGM"), in the annual result announcement for the financial year ended 31 December 2019 dated 17 March 2020.

However, due to an inadvertent oversight, the proposed resolution approving the declaration of the 2019 Proposed Final Dividend was omitted from the notice of the AGM dated 23 March 2020.

According to the announcement dated 28 April, 2020, the board of directors of the Company resolved at its meeting held on 28 April 2020 to pay a 2019 special dividend of HK1.5 cents per share, being an amount identical to the 2019 Proposed Final Dividend, in substitution of the 2019 Proposed Final Dividend. Except for the 2019 special dividend as mentioned above, no interim dividend and other special dividend (2019: interim dividend of HK8.2 cents per share and special dividend of HK1.1 cents per share) was made for the year ended 31 December 2020.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to RMB3,150,000 (2019: RMB216,000).

FIXED ASSETS

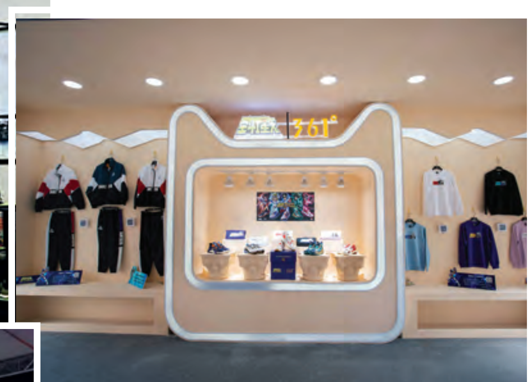
Details of the movements in fixed assets during the year are set out in note 11 to the financial statements.

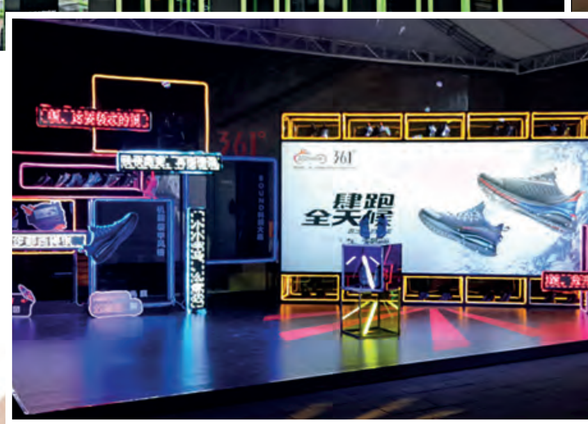
SENIOR UNSECURED NOTES

Details of the US$ Notes issued by the Company are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24(c) to the financial statements.





PURCHASES, SALES OR BUY-BACKS OF THE COMPANY'S SECURITIES

On 3 June 2016, the Company issued the US$ Notes on the Stock Exchange, which became effective on 6 June 2016. The net proceeds received was approximately US$390.1 million. Please refer to the announcements of the Company dated 18 and 24 May 2016, and 3 June 2016 for more details.

For the year ended 31 December 2020, the Company purchased and cancelled approximately US$80.1 million (2019: US$53.8 million) principal amount of the US$ Notes listed on the Stock Exchange through the open market on the Stock Exchange for a total price of approximately US$70.6 million (2019: US$45.5 million). As at 31 December 2020, the outstanding principal amount of the US$ Notes after such repurchases and cancellations amounted to approximately US$266.1 million (2019: US$346.2 million).

Except as disclosed in this section, neither Company nor any of its subsidiaries made any purchase, sale or buy-back of listed securities of the Company for the year ended 31 December 2020.

Subsequent to the year ended 31 December 2020, the Company further repurchased US$ Notes with an aggregate principal amount of US$138.3 million via a tender offer from the investors, representing approximately 34.58% of the initial aggregate principal amount of the US$ Notes. Up to the date of this report, the remaining aggregate principal amount of the US$ Notes outstanding was US$127.8 million.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles"), or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Ding Huihuang, Chairman
Mr. Ding Wuhao, President
Mr. Ding Huirong, Vice President
Mr. Wang Jiabi, Vice President

Independent non-executive Directors

Mr. Li Yuen Fai Roger (resigned and effective from 4 August 2020)
Mr. Wu Ming Wai Louie (appointed and effective from 4 August 2020)
Mr. Hon Ping Cho Terence
Mr. Chen Chuang

Pursuant to Article 84(1) of the Articles at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

Pursuant to Article 84(2) of the Articles, any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Ding Wuhao and Mr. Hon Ping Cho Terence will retire from office by rotation at the forthcoming AGM pursuant to Article 84(1) of the Articles. In addition, pursuant to Article 83(3) of the Articles, Mr. Wu Ming Wai Louie, who was appointed by the Board as Director to fill a causal vacancy on the Board on 4 August 2020, will hold office until the AGM, being the first general meeting after his appointment, and will retire and subject to re-election from office at the AGM. Being eligible, each of them will offer themselves for re-election.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

PERMITTED INDEMNITY PROVISION

Under the Articles, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained insurance for the Directors against liabilities to third parties that may be incurred in the course of performing their duties as at the date of this report.

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

As 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

LONG AND SHORT POSITION IN THE COMPANY

Name of Director	Long/short position	Nature of interest	*Note*	Number of shares (ordinary shares)	Percentage
Mr. Ding Wuhao	Long	Beneficial owner		11,962,000	0.58%
		Interest in controlled corporation	*(1)*	340,066,332	16.45%
Mr. Ding Huihuang	Long	Beneficial owner		9,189,000	0.44%
		Interest in controlled corporation	*(2)*	327,624,454	15.85%
Mr. Ding Huirong	Long	Interest in controlled corporation	*(3)*	324,066,454	15.67%
Mr. Wang Jiabi	Long	Interest in controlled corporation	*(4)*	168,784,611	8.16%

Notes:

(1) Mr. Ding Wuhao is deemed to be interested in 340,066,332 shares of the Company held by Dings International Company Limited by virtue of it being controlled by Mr. Ding Wuhao. He is the brother-in-law of both Mr. Ding Huihuang and Mr. Ding Huirong.

(2) Mr. Ding Huihuang is deemed to be interested in 327,624,454 shares of the Company held by Ming Rong International Company Limited by virtue of it being controlled by Mr. Ding Huihuang. He is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao.

(3) Mr. Ding Huirong is deemed to be interested in 324,066,454 shares of the Company held by Hui Rong International Company Limited by virtue of it being controlled by Mr. Ding Huirong. He is the brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao.

(4) Mr. Wang Jiabi is deemed to be interested in 168,784,611 shares of the Company held by Jia Wei International Co, Ltd. by virtue of it being controlled by Mr. Wang Jiabi.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholders	*Note*	Nature of interest	Long/Short position in ordinary shares held [1]	Percentage of total issued shares
Dings International Company Limited	*(2)*	Beneficial owner	340,066,332 (L)	16.45%
Ming Rong International Company Limited	*(3)*	Beneficial owner	327,624,454 (L)	15.85%
Hui Rong International Company Limited	*(4)*	Beneficial owner	324,066,454 (L)	15.67%
Jia Wei International Co., Ltd.	*(5)*	Beneficial owner	168,784,611 (L)	8.16%
Jia Chen International Co., Ltd.	*(6)*	Beneficial owner	168,784,611 (L)	8.16%
Mr. Wang Jiachen	*(6)*	Interest in controlled corporation	168,784,611 (L)	8.16%

Notes:

1. The letter "L" indicates long position whereas the letter "S" indicates short position.

2. The entire issued share capital of Dings International Company Limited is owned by Mr. Ding Wuhao, an executive director and the president of the Company. Mr. Ding Wuhao is the sole director of Dings International Company Limited.

3. The entire issued share capital of Ming Rong International Company Limited is owned by Mr. Ding Huihuang, an executive director and the chairman of the Company. Mr. Ding Huihuang is the sole director of Ming Rong International Company Limited.

4. The entire issued share capital of Hui Rong International Company Limited is owned by Mr. Ding Huirong, an executive director. Mr. Ding Huirong is the sole director of Hui Rong International Company Limited.

5. The entire issued share capital of Jia Wei International Co., Ltd. is owned by Mr. Wang Jiabi, an executive director. Mr. Wang Jiabi is the sole director of Jia Wei International Co., Ltd.

6. The entire issued share capital of Jia Chen International Co., Ltd. is owned by Mr. Wang Jiachen, who is the brother of Mr. Wang Jiabi, an executive director of the Company.

Save as disclosed above, as at 31 December 2020, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under Rule 8.08 of the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's listed securities.

MANAGEMENT CONTRACTS

Other than Directors' service contracts and employment contracts with the Group's senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2020, none of the Directors or their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-competition" below.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Each of Mr. Ding Wuhao, Dings International Company Limited, Mr. Ding Huihuang, Ming Rong International Company Limited, Mr. Ding Huirong and Hui Rong International Company Limited (collectively the "Covenantors" and each a "Covenantor") confirmed that, as at 31 December 2020, he/it had complied with the terms of the deed of non-competition ("Deed of Non-competition") dated 10 June 2009 signed by each of them in favour of the Group.

To monitor the compliance of the terms of the Deed of Non-competition by the Covenantors, the independent non-executive Directors have reviewed, among others, the business activities undertaken by the Covenantors (if any) outside of the Group. Based on the result of such review, the independent non-executive Directors are satisfied that the Covenantors have complied with the terms of the Deed of Non-competition for the year ended 31 December 2020.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2020 are set out in note 20 to the financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 28 to the financial statements did not constitute connected transactions as defined under Chapter 14A of the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 2 and 3 of this annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the subsidiaries of the Company in the PRC are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of the eligible employees' salaries to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to retirement schemes charged to the consolidated income statement during the year ended 31 December 2020 amounted to RMB20,310,000 (2019: RMB22,592,000).

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE CODE PRACTICES

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code contained in the Appendix 14 to the Listing Rules during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon the Company's enquires, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2020.

AUDITORS

KPMG has resigned as the auditor of the Company with effect from 13 November 2019 as KPMG and the Company could not reach a consensus on the audit service fee regarding the annual audit for the financial year ended 31 December 2019. The Board, with the recommendation from the Audit Committee, has resolved to appoint Moore Stephens CPA Limited ("Moore") as the new auditor of the Company with effect from 13 November 2019 to fill the casual vacancy following the resignation of KPMG.

Moore will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Moore as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order and on behalf of the board of Directors

DING HUIHUANG
Chairman

Hong Kong, 23 March 2021

CORPORATE GOVERNANCE REPORT

The Company has made continuous effort to ensure high standards of corporate governance. The principles of corporate governance adopted by the Company emphasises a quality board, sound internal controls and accountability to shareholders. These are based upon our established ethical corporate culture.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules during the year ended 31 December 2020.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiries with all of the Directors, all of the Directors confirmed that they had complied with the required standards set out in the Model Code for the year under review.

BOARD OF DIRECTORS

Responsibilities, accountabilities and contributions of the Board and the Management

The overall management of the business of the Group is vested in the Board. Key responsibilities of the Board include formulation of the Group's overall strategies and policies, setting of performance targets, evaluation of business performance, oversight of management, include designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement. The Board is also responsible for ensuring sound and effective internal control systems are maintained. Please refer to "Risk Management and Internal Control" in this Corporate Governance Report for further details. The management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group.

The Directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Group. However, the above statement should be read in conjunction with, but distinguished from, the independent auditor's report in the section headed "Independent Auditor's Report" which acknowledges the reporting responsibilities of the Group's auditor.

To further accountability, the announcements containing the interim and full year financial results are signed by the chairman of the Board, Mr. Ding Huihuang, for and on behalf of the Board to confirm that it is to the best of the Board's knowledge, nothing has come to the attention of the Board which may render such results to be false or misleading in any material respects. The Board approves the financial results after review and authorise the release of the results on the websites of the Company (www.361sport.com) and the Stock Exchange (www.hkexnews.hk) to the public.

Corporate governance

The Board is entrusted with the overall responsibility of: (i) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Company's Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring codes of conduct and compliance manuals (if any) applicable to the Company's employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company in compliance with the CG Code and the Listing Rules. Further, the Board reviewed and monitored the Group's policies and practices, and noted that the Group had complied with the relevant legal and regulatory requirements in all material respects during the year under review. The Board also reviewed the employees' manual applicable to the employees of the Company. Lastly, the Board has reviewed the Company's compliance with the CG Code and the disclosure of this Corporate Governance Report.

Attendance of each Director at the Board and committee meetings held during the year under review is summarised as follows:

	Training courses	Board Meeting *iv*	Annual General Meeting *iv*	Audit Committee *iv*	Remuneration Committee *iv*	Nomination Committee *iv*
Executive Directors						
Mr. Ding Huihuang (Chairman)	i	12/12	1/1	N/A	N/A	N/A
Mr. Ding Wuhao (President)	i	12/12	1/1	N/A	N/A	2/2
Mr. Ding Huirong (Vice President)	i	12/12	1/1	N/A	N/A	N/A
Mr. Wang Jiabi (Vice President)	i	12/12	1/1	N/A	2/2	N/A
Independent Non-executive Directors						
Mr. Li Yuen Fai Roger (v)	ii, iii	6/7	1/1	1/1	N/A	1/1
Mr. Wu Ming Wai Louie (vi)	i, ii, iii	5/5	N/A	2/2	N/A	1/1
Mr. Hon Ping Cho Terence	i, ii, iii	11/12	1/1	3/3	2/2	2/2
Mr. Chen Chuang	i	11/12	1/1	3/3	2/2	N/A

Notes:

i. Directors who attended Corporate Governance training course organised by the Company's legal adviser during the year under review.

ii. Directors who attended courses organised by professional bodies during the year.

iii. Directors who attended courses organised by the Hong Kong Institute of Certified Public Accountants.

iv. Number of meetings attended/number of meetings held. For directors who retired, resigned or appointed during the year, the relevant denominator represented the number of meeting(s) held during his tenure in the office.

v For the year under review, Mr. Li Yuen Fai Roger was an independent non-executive Director, the chairman of the audit committee of the Board and a member of the nomination committee of the Board from 1 January 2020 to 4 August 2020.

vi For the year under review, Mr. Wu Ming Wai Louie became an independent non-executive Director, the chairman of the audit committee of the Board and a member of the nomination committee of the Board since 4 August 2020.

The Chairman held one meeting with all the independent non-executive Directors without the presence of other Directors to discuss of the Company's business during the year under review.

Board composition

For the year ended 31 December 2020 and as at 31 December 2020, the Board comprised of four executive Directors and three independent non-executive Directors. Biographical details of the current Directors and the relationships between the Directors (if any) are set out in the section headed "Directors and Senior Management" of this annual report.

Among the members of the Board, Mr. Ding Huihuang and Mr. Ding Huirong are brothers and Mr. Ding Wuhao is the brother-in-law of both Mr. Ding Huihuang and Mr. Ding Huirong.

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. In determining the independence of the independent non-executive Directors, the Board follows the requirements as set out in Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

THE ROLES OF THE CHAIRMAN AND PRESIDENT

The divisions of responsibilities between the Chairman of the Board, Mr. Ding Huihuang, and the President, Mr. Ding Wuhao, who effectively performs the functions of the chief executive officer of the Group, are clearly defined and have been approved by the Board.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. He is primarily responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The President is directly in charge of the daily operations of the Group and are accountable to the Board for the financial and operational performance of the Group.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 30 June 2009 which is renewable upon expiry, subject to compliance with the Listing Rules and termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of three years from their respective dates of appointment which is renewable upon expiry, subject to compliance with the Listing Rules and termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

In accordance with the Company's articles of association, each year, one-third of the Directors (including executive Directors and independent non-executive Directors) for the time being will retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years at the general meeting.

TERMS OF APPOINTMENT OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 June 2009, renewable upon expiry, and each of such service contracts was renewed on 30 June 2012, 30 June 2015 and 30 June 2018, respectively. Mr. Hon Ping Cho Terence, Mr. Chen Chuang and Mr. Wu Ming Wai Louie independent non-executive Directors, have entered into a service contract with the Company for a term of three years commencing from 20 May 2019 and 27 August 2019 and 4 August, 2020, respectively, which are also renewable upon expiry.

No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

COMPANY SECRETARY

Mr. Li Yuen Fai Roger, the company secretary of the Company, reports to Mr. Ding Wuhao, the President. The details of his biographical is set out in the section headed "Director and Senior Management" of this annual report. Mr. Li has also confirmed that he has taken no less than 15 hours relevant professional training during the financial year.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board has established the following Board committees to oversee particular aspects of the Group's affairs. These committees are governed by their respective written terms of reference approved by the Board.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Audit Committee comprised three members who all are independent non-executive Directors, namely, Mr. Li Yuen Fai Roger (from 1 January 2019 to 4 August 2020), Mr. Hon Ping Cho Terence and Mr. Chen Chuang. Mr. Li Yuen Fai Roger resigned as an independent non-executive Director on 4 August 2020 and ceased to be the chairman and member of the Audit Committee. His position as the chairman and member of the Audit Committee was replaced by Mr. Wu Ming Wai Louie since 4 August 2020.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practice adopted by the Group.

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit Committee are mainly to: (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditors; (ii) approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; (iii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iv) discuss with the external auditors regarding the nature and scope of the audit and reporting obligations before the audit commences; (v) develop and implement policy on engaging an external auditors to supply non-audit services, identifying and making recommendations on any matters where action or improvement is needed; (vi) monitor integrity of the Company's financial statements, annual report, accounts and half-year report; (vii) review significant financial reporting judgements contained in them; and (viii) assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems. In reviewing these reports before their submission to the Board, the Audit Committee has focused particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards;

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

(vii) reviewing the fairness of connected transactions and making disclosures in accordance with the Listing Rules and accounting standards.

The duties of the Audit Committee also include reviewing the arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control, risk management systems or other matters. The Audit Committee has ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions, and acts as the key representative body for overseeing the Company's relations with the external auditors.

The Audit Committee held three meetings during the year ended 31 December 2020 with all the meetings having been attended by external auditors. The meetings primarily discussed the auditing, internal audit function, risk management, internal controls and financial reporting matters of the Company. The Audit Committee has including but not limited to: (i) considered significant or unusual items that are, or may need to be, reflected in the reports and accounts and matters that have been put forward by the Company's staff responsible for the accounting and financial reporting function as well as external auditors; (ii) oversighted the Company's financial reporting system and internal control procedures to review the Company's financial controls, internal control and risk management systems; (iii) reviewed the effectiveness of internal audit function by the review of internal audit reports and meeting with the head of internal audit department; and (iv) discussed with the management about the risk management and internal control system of the Company to ensure that management has performed its duty to have an effective risk management and internal control system. The discussion also included (a) the adequacy of resources; (b) staff qualifications and experience; (c) training programmes and budget of the Company's accounting and financial reporting function; (d) major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; (e) ensured co-ordination between the internal and external auditors; (f) ensured the internal audit function is adequately resourced and has appropriate standing within the Company; (g) reviewed and monitored the effective of the internal audit function of the Group; (h) review of the Group's financial and accounting policies and practices and the external auditors' management letter; (i) material queries raised by the external auditors to management about accounting records, and financial accounts and systems of control as well as management's responses. During the year under review, the Audit Committee has also reviewed the consolidated financial statements of the Group for the six months ended 30 June 2020 and the year ended 31 December 2020. For the details of members' attendance of the Audit Committee's meeting, please refer to the table on page 51.

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "Remuneration Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting year, the Remuneration Committee comprised three members, namely, Mr. Chen Chuang, Mr. Wang Jiabi and Mr. Hon Ping Cho Terence with Mr. Chen Chuang being the chairman.

The primary duties of the Remuneration Committee include to: (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) make recommendation to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments; (iv) make recommendations to the Board on the remuneration of non-executive Directors; (v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and (vii) ensure that no director or any of his associates is involved in deciding his own remuneration.

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, the aggregate amount for all executive Directors shall not exceed 5% of the audited consolidated net profits after tax of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee.

The Remuneration Committee held two meetings, including to assess performance of the executive Directors, review and approve the remuneration packages of Directors and senior management of the Group during the year ended 31 December 2020, and to recommenced the remuneration package for newly appointed independent non-executive directors and senior management of the Company during the year.

For the details of members' attendance of the Remuneration Committee Meeting, please refer to the table on page 51.

NOMINATION COMMITTEE

The nomination committee of the Board (the "Nomination Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting year, the Nomination Committee comprised of three members, namely Mr. Ding Wuhao, Mr. Li Yuen Fai Roger (from 1 January 2020 to 4 August 2020) and Mr. Hon Ping Cho Terence with Mr. Hon Ping Cho Terence being the chairman. Mr. Li Yuen Fai Roger resigned as an independent non-executive Director on 4 August 2020 and ceased to be a member of the Nomination Committee. His position as a member of the Nomination Committee was replaced by Mr. Wu Ming Wai Louie since 4 August 2020.

The primary duties of the Nomination Committee include to: (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for directors, in particular the Chairman and the President of the Company.

The Company has adopted the board diversity policy on 29 August 2013, which was revised on 1 January 2019 (the "Board Diversity Policy"). The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the Board Diversity Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to, gender, age, cultural background, educational background, and professional experience, which are the measurable objectives for implementing the Board Diversity Policy. The Nomination Committee is also responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the Board Diversity Policy and the measurable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board. For the year ended 31 December 2020, the Company has achieved the following measurable objectives that the Board has set for implementing the Board Diversity Policy:

(a) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;

(b) To ensure at least one-third of the members of the Board shall have attained bachelor's degree or higher level of education;

(c) To ensure at least one member of the Board was or currently is director of listed companies (including Hong Kong and other regions) other than the Company;

(d) To ensure Board has members coming from different cultural backgrounds (including Hong Kong and PRC); and

(e) To ensure the age distribution of the members of the Board comprised of people from at least two decades.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in selection of Board candidates. Board nomination and appointments will continue to be made on merit basis based on the Group's business needs from time to time with adequate consideration of diversity of Board members.

During the year under review, the Nomination Committee held two meetings in the year ended 31 December 2020. The work carried out by the Nomination Committee during the year included to nominate the members of Board for retirement and re-election at the annual general meeting, to review the structure, size and composition of the Board and considered and recommended the candidates to the Board for consideration to be appointed as the independent non-executive directors of the Company. For the details of members' attendance of the Nomination Committee meeting, please refer to page 51 of this annual report. The Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration bands	Number of persons
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	3
HK$2,500,001 to HK$3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the financial statements, respectively.

AUDITORS' REMUNERATION

During the year ended 31 December 2020, the remuneration paid or payable to the external auditors, in respect of their audit and non-audit services are as follows:

	2020
Statutory audit services	HK$2,850,000
Non-audit services	HK$300,000
Total	HK$3,150,000

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

The Board acknowledges its responsibility for ensuring that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Group has developed and established an internal audit and risk management department (the "IARM Department"), which report to the Board and the Audit Committee, to look after the Group's systems of internal control, risk management and the internal audit function. The systems of internal control and risk management are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

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

Board

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

Audit Committee

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

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

IARM Department

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

Management

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

Risk management process

The Group has established risk management manual to formulate the risk management process and the management is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The procedures for risk management are as follows:

Risk identification

Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered.

Risk assessment

The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives.

Control activities

The internal control procedures have been designed and implemented to address the risks.

Risk monitoring

Risk register has been maintained and updated regularly to monitor risks on an ongoing basis.

Risk management review

The Board and the Audit Committee would perform a review of any change of significant risks reported by the IARM department.

Annual Review

During the year under review, the IARM department conducted reviews of the risk management and internal control systems of the Company and reported to the Board and Audit Committee from time to time. Both the Board and Audit Committee considered that such the risk management system and internal control systems of the Company had been implemented effectively. The reviews covered all material controls, including financial, operational and compliance controls, internal audit function and risk management functions. The IARM department reported no major findings but areas for improvement have been identified. All of the recommendations reported by the IRAM department will be properly followed up to ensure that significant control activities are implemented properly in place within a reasonable period of time. The Board and the Audit Committee are of the view that the risk management system, the internal control system and including the adequacy of resources, qualifications and experience of staff in its accounting and financial reporting functions, their training programmes and budget and the internal audit function are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and business partners to raise concerns, in confidence, to the Audit Committee and the Board about possible improprieties relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

Policy and Procedures of Handling and Dissemination of Inside Information

The Company has adopted an internal policy on the handling and the dissemination of inside information, which is drawn-up in accordance with the Listing Rules and the SFO, and with reference to the Guideline on Disclosure of Inside Information published by the Hong Kong Securities and Futures Commission in June 2012.

Each business unit is responsible to monitor any potential inside information within its operations. If there is any potential inside information, such information will be escalated to the senior management and the company secretary of the Company so that an assessment will be made whether an announcement will need to be made. If an announcement will be made including considering whether any safe harbor is available under the SFO, such announcement will be made by the Company on timely basis to enable the public, namely, shareholders, potential investors and other stakeholders of the Company to assess such information. All inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis to ensure confidentiality until disclosure has been made to the public by way of an announcement.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Relationship with Investors

The Board recognises that effective and timely communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors, so the Group continuously places great importance on proactive communication with its existing and potential investors.

The Group's Investor Relations Department has maintained close communication with shareholders and investors through email, conference call, one-on-one meetings, attending broker conferences, and non-deal roadshows, to ensure that investors and shareholders have received the Company's updates in a fair and timely manner and to facilitate their investment decision-making. To cope with the outbreak of COVID-19 during the year under review, the Group actively maintained communication with investors through digital channels such as video and audio conferences. The Group also managed to organise several physical events for investors and analysts, including visits to the Group's trade fairs held in different seasons, in order to deepen investors' understanding of the Group's business and operations and further enhance the Group's corporate transparency. The investors may also visit the Group's Investor Relations website at www.ir.361sport.com where the Group's announcements, financial information, stock quotes, analyst coverage, press releases and other information are posted. The Group welcomes all investors to continue to give their opinions and suggestions to the Group. Please feel free to contact our Investor Relations Department at nina@361sportshk.com.

During the year under review, the Company honored to win the "Best IR Company" in the small-cap category at the sixth session of the Investor Relations Awards 2020 organised by Hong Kong Investor Relations Association. The Company's investor relations team, namely Mr. Chen Yongling, Ms. Nina Zhan, and Ms. Annabel Zhang, won the title of the "Best IR Team". The Company's Vice-President of Investor Relations, Ms. Nina Zhan, won the title of the "Best Investor Relations Officer" and the Company was also awarded the "Best Investor Meeting" title at the event. Meanwhile, the Group also won the "Best IR Award"（最佳IR獎）in the "Fourth Golden Hong Kong Stocks Awards"（第四屆金港股）organised by Zhitongcaijing（智通財經）and the "Best Director Award"（最佳總監獎）in the "Third China Excellent IR Award"（第三屆中國卓越IR）organised by "Roadshow China"（路演中）. In the future, the Group will continue to maintain the high standard of investor relations and promote the best practices.

Voting by Poll

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of voting by poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. Results of votings would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Dividend Policy

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to recommend and/or pay a dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

Convening of extraordinary general meeting on requisition by Shareholders

Pursuant to Articles 57 of the articles of association of the Company, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings

Any shareholder of the Company who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 7 days prior to the date of a general meeting through the Company Secretary whose contact details are set out in the paragraph "Procedures for directing shareholders' enquiries to the Board" below.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

The Company Secretary

361 Degrees International Limited
Room 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Email: 361@361sportshk.com
Tel No.: +852 2907 7088
Fax No.: +852 2907 7198

The Company Secretary shall forward shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, in order for the Board to respond to such enquires.

Constitutional Documents

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2020.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ding Wuhao（丁伍號）, aged 55, joined the Group in June 2003 and has been the President of the Company since August 2008. He is primarily responsible for the Group's overall strategies, planning and business development. He has over 20 years of experience in the PRC sportswear industry. Since December 2006, he has been a member of the Chinese People's Political Consultative Conference ("CPPCC") Fujian Province Jinjiang City Committee（中國人民政治協商會議福建省晉江市委員會）. In October 2008, he received the award of the "2008 Most Socially Responsible Entrepreneur in China" (2008年度中國最具社會責任企業家）by the Annual Selection Organising Committee of China Human Resources Management（中國人力資源管理年度評選組委會）. In May 2009, he received the "Contribution Award for China TV Sports Programmes"（中國體育電視貢獻獎）by CCTV Sports Channel（中央電視台體育頻道）. In 2010, he was awarded "Top Ten Chinese Entrepreneur of Integrity of the Year（創業中國年度十大誠信人物獎）" by "Example for China (《榜樣中國》)", "Outstanding Contribution Award for Asian Games（亞運突出貢獻獎）" by 16th Asian Games Organising Committee（第十六屆亞運會組委會）, and "Outstanding Contribution Award of Asian Games（亞洲體育傑出貢獻獎）" by Olympic Council of Asia（亞洲奧林匹克理事會）. In 2011, he was awarded "The Most Caring Chinese Entrepreneur on Staff's Development（中國最關注員工發展企業家）" at the eighth session of China Human Resource Management Innovation Summit（第八屆中國人力資源管理創新高峰會）and "Top Ten Youth Business Leader in Asia（亞洲十大青年商業領袖）" by Forbes. He completed a CEO in China's Enterprise/Finance program at the Cheung Kong Graduate School of Business in August 2012. Mr. Ding is the brother-in-law of Mr. Ding Huihuang and Mr. Ding Huirong, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Dings International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huihuang（丁輝煌）, aged 55, joined the Group in June 2003. He was appointed as an executive Director in August 2008 and is the chairman of the Company. He is primarily responsible for overall strategies, operation planning and footwear production. He has over 20 years of experience in the PRC sportswear industry. He was awarded the "Top Ten Outstanding Youths in China Industrial Economy"（中國工業經濟十大傑出青年）by the Organising Committee of China Industry Forum（中國工業論壇組委會）in January 2008 and the "Top Ten Outstanding Youth Entrepreneurs of Quanzhou City"（泉州市十大傑出青年企業家）jointly issued by 18 governmental and commercial institutions in Quanzhou City, Fujian Province, the PRC in February 2007. He has been a standing member of the third committee of Quanzhou City Shoe Commercial Association（泉州市鞋業商會）and a vice chairman of Fujian Province Shoe Industry Association（福建省鞋業行業協會）since January 2006 and January 2007 respectively. Mr. Ding is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Ming Rong International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huirong（丁輝榮）, aged 49, joined the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for financial management and infrastructure construction management of the Company, more specifically the construction of the new production facility and warehouse of the Group at the Wuli Industrial Park. He has over 20 years of experience in financial management. Mr. Ding is the younger brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao, both executive Directors. Mr. Ding is the sole director and sole shareholder of Hui Rong International Company Limited, a substantial shareholder of the Company.

Mr. Wang Jiabi（王加碧）, aged 63, joined the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for human resources and external public relationship. Mr. Wang has over 20 years of experience in the PRC sportswear industry. He has completed an EMBA programme offered by Peking University（北京大學）in January 2010. Mr. Wang is the sole director and sole shareholder of Jia Wei International Co., Ltd., a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Wu Ming Wai Louie（**胡明偉**）, aged 60, joined the Group in August 2020 and is an independent non-executive Director. Mr. Wu has over 35 years of extensive experience in corporate finance, accounting, auditing, taxation, and financial management. He was awarded a professional diploma in Accountancy from The Hong Kong Polytechnic in 1986. He is the sole practitioner of Louie Wu & Co., a certified public accountants firm in Hong Kong since 1993. Mr. Wu is a fellow member of the Hong Kong Institute of Certified Public Accountants and fellow member of both the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Wu is also a Certified Tax Adviser in Hong Kong and the member of the Finance Committee of the Hong Kong Arts Centre and the honorary auditors of both Anita Mui "True Heart" Charity Foundation and Hong Kong Federation of Drama Societies.

Mr. Hon Ping Cho Terence（**韓炳祖**）, aged 61, joined the Group in May 2019 and is an independent non-executive Director. Mr. Hon has over 30 years of experience in corporate finance, accounting, auditing, corporate administration and business development. He was awarded a master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University in November 2004. He is currently an independent non-executive Director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock Code: 00520), Jimu Group Limited (Stock Code: 08187), Daphne International Holdings Limited (Stock code: 00210) and SinoMab BioScience Limited (Stock code: 03681). Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Chen Chuang（**陳闖**）, aged 43, joined the Group in August 2019 and is an independent non-executive Director. Mr. Chen has over 15 years of experience in corporate strategy, large enterprises innovation, and internal innovation. He was awarded a bachelor degree and a master degree in Management from the Dalian University of Technology（大連理工大學）. He also received his doctorate degree in Business Administration from Tsinghua University（清華大學）. He is currently a professor of business management at the Master of Business Administration Education Center of the School of Management of Xiamen University（廈門大學管理學院工商管理教育中心）. Mr. Chen is a committee member of Case Research Division of Chinese Society for Management Modernisation（中國管理現代化研究會案例研究專業委員會）.

SENIOR MANAGEMENT

Mr. Chen Yongling（**陳永靈**）, aged 47, is the vice president in the office of the board of directors of the Group and is primarily responsible for the strategy planning and capital operation of the Group. He joined the Group in August 2005 and re-joined the Group in September 2019 after his departure in October 2017 due to personal reasons. Mr. Chen has over 20 years of experience in finance, operation and business management. Mr. Chen received his bachelor degree in business management from Zhejiang University（浙江大學）in January 2007 and an EMBA from Cheung Kong Graduate School of Business（長江商學院）in 2017. Mr. Chen holds a qualification certificate for accountant（會計師資格證書）and national secretary qualification (second class)（國家二級秘書資格）conferred by the Ministry of Finance of the PRC, a qualification certificate for economics（經濟師）of the PRC, a qualification certificate for finance management（財務管理師）and received the Certificate of Qualification for International Certified Senior Accountant（國際註冊高級會計師）awarded by the International Profession Certification Association（國際認證協會）. Mr. Chen received recognition from professional and social fields. He received the awards including the "2011 China's Chief Financial Officer of the Year" (2011中國總會計師年度人物獎）and the "2013 Chinese Economist" (2013中國經濟人物）by the China Association of Chief Financial Officer（中國總會計師協會）and the Committee of China Economic Development Forum（中國經濟發展論壇組委 會）, respectively. He has been appointed as a member of the 12th Quanzhou Committee of Chinese People's Political Consultative Conference since 2017 and a director of Entrepreneur Union of Revolutionary Committee of the Chinese Kuomintang in Quanzhou（民革泉州市企業家聯誼會）.

Mr. Lu Ning (盧寧), aged 53, is the brand president of the Group in charge of the footwear business, apparel business, product centre and operation department of the Group. He has over 20 years experiences in managing international renowned sportswear brands. He joined the Group in March 2013. Mr. Lu received his bachelor's degree in Economic Investment from the Nanjing University (南京大學) in 1996. He has completed an EMBA program offered by at the China Europe International Business School (中歐國際工商學院) in July, 2014.

Mr. Li Yuen Fai Roger (李苑輝), aged 60, is the chief financial officer, an authorised representative and the company secretary of the Group and is responsible for the overall financial management and company secretarial functions of the Group. He joined the Group as an independent non-executive director in July 2016 and changed to the current designation with effect from August 2020.Mr. Li has over 30 years of experience in corporate finance, accounting, auditing, corporate administration and business development. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institution of Hong Kong and was a member of the 7th, 8th and 9th Member of People's Political and Consultative Congress of Heilongjiang Province in the People's Republic of China and was appointed as the Economic Advisor of the Government of Chengde City of Hebei Province in the People's Republic of China in 1995.

Ms. Zhan Xiao Xiao (詹瀟瀟), aged 39, is the vice-president of investor relations and is primarily responsible for the Group's investor relations programme. She joined the Group in October 2015. Ms. Zhan has over 10 years of experience in corporate finance, investor relations, corporate governance and management from her previous positions in investment banking, communication advisory and Hong Kong Listed Company. She received her bachelor's degree from Peking University, majoring in International Relations and double majoring in Economics. She received her master's degree from the University of Pennsylvania in 2005, majoring in International Political Economy.

Mr. Chen Jian Ci (陳建次), aged 50, is the vice president of supply chain management center and primarily responsible for overall planning in warehouse, logistics and network, integrating data stream and managing enterprise information system deployment of the Group. He has over 15 years of experience in information system related works and has worked in world renowned enterprises. He joined the Group in December 2011. Mr. Chen received his bachelor's degree in information management from Tamkang University (淡江大學) in Taiwan in 1995.

Mr. James Edward Monahan, aged 54, is the vice president of one of the wholly-owned subsidiaries of the Group in the United States, and primarily responsible for directing the introduction and growth of the Group's brands in the United States, Canada, Mexico and Central America. He has over 25 years of experience in the sporting goods industry with a leading international sports brand, including global roles in both product creation and marketing. He joined the Group in May 2014. Mr. Monahan received his bachelor's degree in education from Montclair State University in the United States.

Mr. Jurian Elstgeest, aged 48, is the managing director of one of the wholly-owned subsidiaries of the Group in Europe, and primarily responsible for managing and establishment of the Group's brand and business in Europe, the Middle East and Africa. He has over 20 years of experience in sporting goods retail and with sports brands, managing retail buying, sales, product, brand and business expansion. Mr. Elstgeest joined the Group in June 2016. He received his Bachelor in Fashion Management at the Hogeschool in Amsterdam.

INDEPENDENT AUDITOR'S REPORT

MOORE

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大華馬施雲
會計師事務所有限公司

OPINION

We have audited the consolidated financial statements of 361 Degrees International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition: Distributor arrangements (Refer to Notes 1(r) and 3 to the consolidated financial statements)

The Key Audit Matter

For the year ended 31 December 2020, the revenue of the Group amounted to approximately RMB5,126,958,000. Revenue of the Group mainly comprises sales of footwear, apparel and accessories through its network of distributors.

The Group sources, manufactures and sells its products based on purchase orders placed by the distributors during trade fairs held by the Group.

The Group enters into framework distribution agreements with its distributors every year. According to the terms of the distribution agreements, revenue is recognised when the goods are collected by the carrier companies from the Group's premises, which is the point when the control of the goods is considered to have been transferred to its distributors.

We have identified the recognition of revenue from sale of goods under the distribution arrangements as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by the management to meet specific targets or expectations.

How the matter was addressed in our audit

Our audit procedures to address the recognition of revenue from distribution arrangements included the following:

- assessing the design, implementation and operating effectiveness of management's key internal control over revenue recognition;
- inspecting all distribution agreements signed in the current year to understand the terms of sales transactions including the terms of delivery and acceptance and any return arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;
- for sales transactions during the reporting period, comparing, on a sample basis, details in the sales invoices to the relevant goods delivery notes, which were signed by the distributors, to assess if the related revenue had been recognised on the basis of the terms of sales as set out in the distribution agreements;
- inspecting all sales returns, if any, during the reporting period and after the financial year end to assess whether sales returns had been accounted for in the appropriate financial period;
- obtaining external confirmations of the outstanding trade receivable balances as at that date directly from distributors, on a sample basis. Where the distributors did not return the requested confirmations, inspecting the sales invoices and related goods delivery notes signed by the distributors indicating the distributors' acknowledgement of delivery of the goods sold for the year ended 31 December 2020; and
- inspecting significant manual adjustments, if any, to revenue during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustments to relevant underlying documentation.

Expected credit loss assessment of trade receivables (Refer to Notes 1(h), 2(ii), 16 and 26(a) to the consolidated financial statements)

The Key Audit Matter

As at 31 December 2020, the gross trade receivables of the Group amounted to approximately RMB2,274,493,000 and of its related allowance for expected credit loss amounted to approximately RMB90,303,000.

The management of the Company performed periodic assessment on the recoverability of the trade receivables and the sufficiency of the allowance for expected credit loss. The management of the Company estimated the amount of expected credit loss based on provision matrix through grouping of various customers that have similar loss patterns, after considering the credit profile of respective customers, ageing analysis, historical settlement records, subsequent settlement status and on-going trading relationships with the relevant customers. The management of the Company also considered the forward-looking information that may impact the customers' ability to repay the outstanding balances as to estimate the expected credit loss.

We have identified the management's assessment of the recoverability of the trade receivables and estimation of expected credit loss as a key audit matter because the amounts involved were significant and the assessment required significant management judgement and estimation uncertainty.

How the matter was addressed in our audit

Our audit procedures to address the expected credit loss assessment of trade receivables included the following:

- obtaining an understanding of the Group's provision policy on trade receivables, the key controls and procedures for managing and monitoring the credit risk and assessing recoverability of trade receivables, and validating the control effectiveness;

- obtaining the ageing analysis of the trade receivables and discussing with the management of the Company about their evaluation of the background and financial capability of the debtors and their credit assessment that the amounts were recoverable;

- testing the ageing analysis of the trade receivables, on a sample basis, to the underlying financial records and post year-end settlements to bank receipts;

- inquiring the management for the status of each of the material trade receivables past due as at the year ended and corroborating explanation from the management with supporting evidence, such as understanding on-going business relationship with the customers based on the trade records, checking historical and subsequent settlement status of and other correspondence with the customers;

- assessing the appropriateness of the expected credit loss provisioning methodology including the identification of credit-impaired trade receivables, the reasonableness of the grouping of trade receivables in the provision matrix and the accuracy of roll rates applied on each time band and the estimated loss rates adopted; and

- examining the key data inputs to assess their accuracy and completeness and challenged the assumptions including both historical and forward-looking information especially the market data with particular focus on the impact of the pandemic, used in determination of the expected credit loss with our internal valuation specialists.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	*3*	5,126,958	5,631,866
Cost of sales		(3,185,225)	(3,362,250)
Gross profit		1,941,733	2,269,616
Other revenue	*4*	278,953	236,848
Other net gain/(loss)	*4*	46,274	(29,663)
Selling and distribution expenses		(963,725)	(1,026,781)
Administrative expenses		(441,089)	(569,778)
(Provision for)/Reversal of impairment losses on trade receivables	*26(a)*	(39,456)	7,008
Profit from operations		822,690	887,250
Gain on repurchase of senior unsecured notes	*21*	46,199	52,644
Finance costs	*5(a)*	(167,336)	(217,469)
Profit before income tax	*5*	701,553	722,425
Income tax expense	*6*	(206,235)	(252,650)
Profit for the year		495,318	469,775
Attributable to:			
Equity shareholders of the Company		415,065	432,403
Non-controlling interests		80,253	37,372
Profit for the year		495,318	469,775
Earnings per share	*10*		
Basic (cents)		20.1	20.9
Diluted (cents)		20.1	20.9

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Profit for the year		**495,318**	469,775
Other comprehensive income for the year, net of income tax	*9*		
Item that will not be reclassified to profit or loss:			
Equity investments designated at fair value through other comprehensive income (non-recycling) – net movement in fair value reserve		**(5,784)**	(867)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		**95,307**	(35,140)
Total comprehensive income for the year, net of income tax		**584,841**	433,768
Attributable to:			
Equity shareholders of the Company		**504,588**	396,396
Non-controlling interests		**80,253**	37,372
Total comprehensive income for the year		**584,841**	433,768

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	*11*	882,881	955,364
Right-of-use assets	*12*	109,767	113,739
		992,648	1,069,103
Other financial asset	*14*	18,188	24,992
Deposits and prepayments	*16*	88,890	91,895
Deferred tax assets	*23(b)*	81,749	60,419
		1,181,475	1,246,409
Current assets			
Inventories	*15*	762,567	1,168,036
Trade receivables	*16*	2,184,190	2,074,796
Bills receivable	*16*	73,254	124,578
Deposits, prepayments and other receivables	*16*	906,117	639,474
Pledged bank deposits	*17*	62,628	230,675
Deposits with banks	*17*	3,000,000	3,000,000
Cash and cash equivalents	*17*	3,451,331	3,422,295
		10,440,087	10,659,854
Current liabilities			
Trade and other payables	*18*	1,756,055	2,306,167
Lease liabilities	*19*	2,156	2,763
Bank loans	*20*	210,222	111,186
Interest-bearing borrowings	*21*	1,726,570	–
Current taxation	*23(a)*	346,214	388,894
		4,041,217	2,809,010
Net current assets		6,398,870	7,850,844

	Notes	2020 RMB'000	2019 RMB'000
Total assets less current liabilities		7,580,345	9,097,253
Non-current liabilities			
Lease liabilities	*19*	73	526
Interest-bearing borrowings	*21*	–	2,418,604
Deferred tax liabilities	*23(b)*	14,281	19,109
		14,354	2,438,239
Net assets		7,565,991	6,659,014
Capital and reserves			
Share capital	*24(c)*	182,298	182,298
Reserves	*24(d)*	6,426,615	6,140,207
Total equity attributable to equity shareholders of the Company		6,608,913	6,322,505
Non-controlling interests	*29*	957,078	336,509
Total equity		7,565,991	6,659,014

The consolidated financial statements on pages 70 to 142 were approved and authorised for issue by the board of directors on 23 March 2021 and are signed on its behalf by:

Ding Wuhao
Director

Ding Huihuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Attributable to equity shareholders of the Company								
	Notes	Share capital (Note 24(c)) RMB'000	Other reserves (Note 24(d)(i)) RMB'000	Statutory reserve (Note 24(d)(ii)) RMB'000	Exchange reserve (Note 24(d)(iii)) RMB'000	Fair value reserve (non-recycling) (Note 24(d)(iv)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		182,298	90,489	560,432	(108,858)	16,362	5,026,927	5,767,650	126,739	5,894,389
Changes in equity for 2019:										
Profit for the year		–	–	–	–	–	432,403	432,403	37,372	469,775
Other comprehensive loss		–	–	–	(35,140)	(867)	–	(36,007)	–	(36,007)
Total comprehensive income for the year		–	–	–	(35,140)	(867)	432,403	396,396	37,372	433,768
Deemed partial disposal of interest in a subsidiary	13(v)	–	328,002	–	–	–	–	328,002	171,998	500,000
Capital injection to a subsidiary by a holder of non-controlling interest		–	–	–	–	–	–	–	400	400
Appropriation to statutory reserve		–	–	244,863	–	–	(244,863)	–	–	–
Dividends declared and paid during the year	24(b)	–	–	–	–	–	(169,543)	(169,543)	–	(169,543)
Balance at 31 December 2019 and 1 January 2020		182,298	418,491	805,295	(143,998)	15,495	5,044,924	6,322,505	336,509	6,659,014
Profit for the year		–	–	–	–	–	415,065	415,065	80,253	495,318
Other comprehensive income		–	–	–	95,307	(5,784)	–	89,523	–	89,523
Total comprehensive income for the year		–	–	–	95,307	(5,784)	415,065	504,588	80,253	584,841
Capital injection by non-controlling interests of subsidiaries	13(vi)	–	(190,376)	–	–	–	–	(190,376)	540,316	349,940
Appropriation to statutory reserve		–	–	31,415	–	–	(31,415)	–	–	–
Dividends declared and paid during the year	24(b)	–	–	–	–	–	(27,804)	(27,804)	–	(27,804)
Balance at 31 December 2020		182,298	228,115	836,710	(48,691)	9,711	5,400,770	6,608,913	957,078	7,565,991

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before income tax		701,553	722,425
Adjustments for:			
Depreciation of property, plant and equipment	*5(c)*	76,847	88,519
Depreciation of right-of-use assets	*5(c)*	6,332	7,953
Effect of foreign exchange rates changes		(44,688)	14,269
Finance costs	*5(a)*	167,336	217,469
Gain on repurchase of senior unsecured notes	*17*	(46,199)	(52,644)
Gain on lease termination	*4*	(19)	–
Provision for/(Reversal of) impairment losses of trade receivables	*5(c)*	39,456	(7,008)
Interest income	*4*	(106,264)	(104,743)
Net gain on disposal of property, plant and equipment	*4*	(11)	(414)
Write-down of inventories	*5(c)*	11,083	–
Changes in working capital:			
Inventories		390,828	(116,937)
Trade receivables		(150,431)	236,411
Bills receivable		51,324	(29,506)
Deposits, prepayments and other receivables		(251,899)	101,290
Trade and other payables		(550,531)	(112,507)
Cash generated from operations		294,717	964,577
People's Republic of China income tax paid	*23(a)*	(274,053)	(334,412)
Net cash generated from operating activities		20,664	630,165
Investing activities			
Payment for the purchase of property, plant and equipment		(7,413)	(13,039)
Proceeds from disposal of property, plant and equipment		374	7,759
Decrease in pledged bank deposits		168,047	96,730
Placements of fixed deposits held at banks with maturity over three months		(3,000,000)	(3,000,000)
Uplift of fixed deposits held at banks with maturity over three months		3,000,000	4,500,000
Increase in amount due from non-controlling interests		(6,290)	–
Interest received		100,480	87,381
Net cash generated from investing activities		255,198	1,678,831

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Financing activities			
Payment for repurchase of senior unsecured notes	*17*	(504,452)	(314,957)
Capital injection by non-controlling interests of subsidiaries		–	400
Principal element of lease rentals paid	*17*	(3,413)	(6,939)
Interest element of lease rentals paid	*17*	(172)	(296)
Proceeds from bank loans	*17*	200,948	100,000
Proceeds from investor for capital injection in a subsidiary	*13*	349,940	150,000
Repayment of bank loans	*17*	(101,270)	(101,221)
Interest paid	*17*	(156,403)	(200,094)
Dividends paid	*24(b)*	(27,804)	(169,543)
Net cash used in financing activities		(242,626)	(542,650)
Net increase in cash and cash equivalents		33,236	1,766,346
Cash and cash equivalents at 1 January		3,422,295	1,651,281
Effect of foreign exchange rate changes		(4,200)	4,668
Cash and cash equivalents at 31 December	*17*	3,451,331	3,422,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial adoption of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands (the "BVI") and Hong Kong have their functional currency in Hong Kong dollars ("HK$") and subsidiaries established in the People's Republic of China (the "PRC") have their functional currency in Renminbi ("RMB"). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group's consolidated financial statements. All financial information presented is rounded to the nearest thousand except otherwise stated. The measurement basis used in the preparation of the consolidated financial statements is the historical costs basis except for equity investments designated as at fair value through other comprehensive income ("FVOCI") as explained in note 1(e).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the adoption of HKFRSs that have significant effect on these consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

The comparative figures of deferred tax of approximately RMB19,109,000 have been reclassified from "deferred tax assets" to "deferred tax liabilities" to conform with the current year's presentation.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Change in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not adopted any new or amendments to HKFRSs that is not yet effective for the current accounting period (Note 32).

(d) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2020 comprise 361 Degrees International Limited (the "Company") and its subsidiaries (together referred to as the "Group").

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are prepared for the same period as the Company, using consistent accounting policies. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m) or (n) depending on the nature of the liability.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in above.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment losses (see note 1(h)(ii)), unless the investment is classified as held for sale.

Business combination

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the acquirer elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present to determine whether the set of activities and assets is a business.

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(g)(i).

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(r)(v).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item and the cost of such item can be measured reliably, the expenditure is capitalised as an additional cost of the item.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

–	Plant and machinery	5 – 10 years
–	Office equipment and other fixed assets	2 – 10 years
–	Motor vehicles	5 years

No depreciation is provided for construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leases when the Group is a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the commencement date of a lease, the Group, as a lessee recognises a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets which are primarily laptops and office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases when the Group is a lessee (Continued)

Lease liabilities

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

At the commencement date of a lease, the lease payments included in the measurement of the lease liability comprise the following payments during the lease term:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Right-of-use assets

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)) and adjusted for any remeasurement of the lease liability.

The right-of-use assets are depreciated on a straightline basis over the shorter of its estimated useful life and the lease term.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, fixed deposits held at banks with original maturity over three months, and trade, bills and other receivables);

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed-rate financial assets, trade, bills and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade and bills receivables, the Group has measured the loss allowance at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For other financial assets (including other receivables, cash and cash equivalents, pledged bank deposits, fixed deposits held at banks with original maturity over three months), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the end of reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– right-of-use assets;

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(r)(ii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional only if the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(h)(i)).

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to be recognised in the consolidated statement of financial position.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Bank loans and interest-bearing borrowings

Bank loans and interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, bank loans and interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(t)).

(o) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to profit or loss as they are paid/become payable in accordance with the rules of the scheme, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified in relevant rules and regulations in the PRC. The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue and other income (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the control of the sporting goods is considered to have been transferred to the customer.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(h)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as "other revenue" in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(iv) Commission income

Commission income represents service income by providing e-commerce platforms for distributors which is calculated based on online sales amount. Such income are recognised at a point in time when the services are rendered which is generally the time when the ultimate customers had received the goods.

(v) Dividends

Dividend income from unlisted investments is recognised in profit or loss when the shareholder's right to receive payment is established.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of subsidiaries with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a subsidiary with functional currency other than RMB, the cumulative amount of the exchange differences relating to that subsidiary is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Research and development and advertising

Expenditure on research and development is recognised as an expense in the period in which it is incurred. Expenditure on advertising are recognised as an expense in the period in which the relevant services have been rendered to the Group over the period covered by the agreement.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the revenue and profit from operations of the Group are mainly derived from activities in the PRC.

2. ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 26 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment losses on trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the ECL of trade receivables during their expected lives.

2. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Sources of estimation uncertainty (Continued)

(iii) Other impairment losses

If circumstances indicate that carrying value of investments in subsidiaries (note 13), property, plant and equipment (note 11), right-of-use assets (note 12) and other non-financial assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs and discount rate.

(iv) Net realisable value of inventories

The Group recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed.

(v) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and trading of sporting goods, including footwear, apparel, accessories and others in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Footwear	2,421,426	2,778,899
– Apparel	2,578,524	2,644,564
– Accessories	68,289	121,680
– Others	58,719	86,723
	5,126,958	5,631,866

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b)(i).

The Group's customer base is diversified and has one (2019: two) customer(s) with whom transactions have exceeded 10% of the Group's revenues. In 2020, revenues from sales of footwear, apparel, accessories and others in both reportable segments (see note 3(b)) to the one (2019: two) customers, including sales to entities under common control with these one (2019: two) customer, as known to the Group, were approximately RMB618,461,000 (2019: approximately RMB701,374,000). Details of concentrations of credit risk arising from these customers are set out in note 26(a).

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Adults: this segment derives revenue from manufacturing and trading of adults sporting goods.

– Kids: this segment derives revenue from trading of kids sporting goods.

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

The Group's revenue and results were primarily derived from sales in the PRC and the principal assets employed by the Group were located in the PRC during the year. Accordingly, no analysis by geographical segments has been provided for the year. In addition, no information on segment assets and liabilities was prepared for review by the Group's most senior executive management for the year for the purpose of resource allocation and performance assessment.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

	Adults		Kids		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Disaggregated by timing of revenue recognition						
Point in time	4,194,628	4,632,978	932,330	998,888	5,126,958	5,631,866
Revenue from external customers	4,194,628	4,632,978	932,330	998,888	5,126,958	5,631,866
Inter-segment revenue	54,205	10,519	–	–	54,205	10,519
Reportable segment revenue	4,248,833	4,643,497	932,330	998,888	5,181,163	5,642,385
Cost of sales	(2,689,463)	(2,793,473)	(549,950)	(578,903)	(3,239,413)	(3,372,376)
Reportable segment profit (gross profit)	1,559,370	1,850,024	382,380	419,985	1,941,750	2,270,009

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues and profit before income tax

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	5,181,163	5,642,385
Elimination of inter-segment revenue	(54,205)	(10,519)
Consolidated revenue *(note 3(a))*	5,126,958	5,631,866
Profit before income tax		
Reportable segment profit	1,941,750	2,270,009
Elimination of inter-segment profits	(17)	(393)
Reportable segment profit derived from the Group's external customers	1,941,733	2,269,616
Other revenue	278,953	236,848
Other net gain/(loss)	46,274	(29,663)
Selling and distribution expenses	(963,725)	(1,026,781)
Administrative expenses	(441,089)	(569,778)
(Provision for)/Reversal of impairment losses on trade receivables	(39,456)	7,008
Gain on repurchase of senior unsecured notes	46,199	52,644
Finance costs	(167,336)	(217,469)
Consolidated profit before income tax	701,553	722,425

4. OTHER REVENUE AND NET GAIN/(LOSS)

	2020 RMB'000	2019 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	106,264	104,743
Government grants #	113,045	107,962
Commission income	55,799	12,040
Others	3,845	12,103
	278,953	236,848
Other net gain/(loss)		
Net gain on disposal of property, plant and equipment	11	414
Net foreign exchange gain/(loss)	46,244	(30,077)
Gain on lease termination	19	–
	46,274	(29,663)

Note:

Government grants of RMB113,045,000 (2019: RMB107,962,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

		2020 RMB'000	2019 RMB'000
(a)	**Finance costs**		
	Interest on lease liabilities *(note 19)*	172	296
	Interest on bank loans	7,548	6,643
	Finance charges on senior unsecured note	159,616	210,530
	Total interest expense on financial liabilities not carried at fair value through profit or loss	167,336	217,469
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans #	20,310	22,592
	Salaries, wages and other benefits	481,922	492,594
		502,232	515,186

No forfeited contributions available for offset against existing contributions during the year (2019: nil).

		2020 RMB'000	2019 RMB'000
(c)	**Other items**		
	Auditor's remuneration		
	– audit services	2,740	2,512
	– non-audit services	222	–
	Depreciation of property, plant and equipment *(note 11)*	76,847	88,519
	Depreciation of right-of-use assets *(note 12)*	6,332	7,953
	Provision for/(Reversal of) impairment losses of		
	– trade receivables *(note 26(a))*	39,456	(7,008)
	Written off of inventories, included in cost of inventories *(note 15(b))*	11,083	–
	Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 *(note 12)*	4,288	6,827
	Research and development costs *	204,528	214,327
	Cost of inventories ** *(note 15(b))*	3,185,225	3,362,250

5. PROFIT BEFORE INCOME TAX (Continued)

Note:

* Research and development costs include RMB81,461,000 (2019: RMB74,580,000) relating to staff costs of employees in the research and development department and depreciation, which amounts are also included in the total staff costs as disclosed in note 5(b) or the respective total amounts disclosed separately above. Research and development costs included in administrative expenses in the consolidated statement of profit or loss.

** Cost of inventories include RMB259,997,000 (2019: RMB249,677,000) relating to staff costs and depreciation, which amounts are also included in the total staff costs as disclosed in note 5(b) or the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX EXPENSE IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax expense in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax – PRC income tax		
Provision for the year *(note 23(a))*	231,373	247,401
Deferred tax		
Origination and reversal of temporary differences *(note 23(b))*	(25,138)	9,616
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(note 23(b))*	–	(4,367)
	(25,138)	5,249
	206,235	252,650

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI (2019: nil).

(ii) No provision has been made for Profits Tax in Hong Kong, Brazil, USA and the Netherlands as the Group did not have any assessable profits subject to Profits Tax in Hong Kong, Brazil, USA and Europe during the year (2019: nil).

6. INCOME TAX EXPENSE IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Income tax expense in the consolidated statement of profit or loss represents: (Continued)

(iii) All PRC subsidiaries are subject to income tax at 25% (2019: 25%) for the year under the Enterprise Income Tax law ("EIT law"), except for one of the subsidiaries of the Company operating in the PRC which was approved to be high and new technology enterprises ("HNTE"). HNTE is entitled to enjoy a reduced enterprise income tax rate of 15% and additional 75% tax reduction based on the eligible research and development expenses with a validity period of three years from 30 November 2018 to 29 November 2021. The subsidiary was approved to be HNTE and enjoyed the preferential tax rate for HNTE for the year ended 31 December 2020 (2019: Same).

(b) Reconciliation between income tax expense and profit before income tax at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Profit before income tax	701,553	722,425
Notional tax on profit before income tax, calculated at the rates applicable to profits in the jurisdictions concerned	184,099	202,060
Tax effect of non-deductible expenses	15,794	20,501
Tax effect of non-taxable income	(2,712)	(7,288)
Utilisation of unused tax losses not recognised	(18,481)	–
Tax effect of unused tax losses not recognised	–	18,744
Effect on deferred tax balances resulting from a change in tax rate	–	(4,367)
Withholding tax on dividends	27,535	23,000
Income tax expense	206,235	252,650

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020				
Executive directors				
Ding Wuhao	–	1,035	12	1,047
Ding Huihuang	–	854	12	866
Ding Huirong	–	907	12	919
Wang Jiabi	–	434	12	446
Independent non-executive directors				
Hon Ping Cho Terence *(note (i))*	373	–	–	373
Chen Chuang *(note (i))*	373	–	–	373
Wu Ming Wai Louie *(note (ii))*	203	–	–	203
Li Yuen Fai Roger *(note (iii))*	294	–	–	294
	1,243	3,230	48	4,521
For the year ended 31 December 2019				
Executive directors				
Ding Wuhao	–	1,342	16	1,358
Ding Huihuang	–	1,029	16	1,045
Ding Huirong	–	1,024	16	1,040
Wang Jiabi	–	586	16	602
Independent non-executive directors				
Hon Ping Cho Terence *(note (i))*	228	–	–	228
Chen Chuang *(note (i))*	123	–	–	123
Tsui Yung Kwok *(note (iv))*	190	–	–	190
Liao Jianwen *(note (v))*	242	–	–	242
Li Yuen Fai Roger *(note (iii))*	446	–	–	446
	1,229	3,981	64	5,274

7. DIRECTORS' EMOLUMENTS (Continued)

Notes:

(i) Mr. Hon Ping Cho Terence and Mr. Chen Chuang were appointed as independent non-executive directors of the Company with effect from 20 May 2019 and 27 August 2019 respectively.

(ii) Mr. Wu Ming Wai Louie has been appointed as an independent non-executive director of the Company with effect from 4 August 2020.

(iii) Mr. Li Yuan Fai Roger resigned as an independent non-executive director of the Company with effect from 4 August 2020. On the same day, he has been appointed as the company secretary and chief financial officer.

(iv) Mr. Tsui Yung Kwok retired as an independent non-executive director of the Company with effect from 20 May 2019.

(v) Mr. Liao Jianwen resigned as an independent non-executive director of the Company with effect from 27 August 2019.

Fees, salaries, allowances and benefits in kind paid to or for the executive directors of the Company are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

No emolument was paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: nil). No arrangement under which directors of the Company waived or agreed to waive any emoluments during the year (2019: nil).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

No directors of the Company are the five individuals with the highest emoluments. The aggregate of the emoluments in respect of the five (2019: five) individuals with the highest emoluments are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	9,499	11,113
Retirement scheme contributions	182	153
	9,681	11,266

The emoluments of the five (2019: five) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	3	2
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	–	1

No emolument was paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: nil).

9. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2020			2019			
	Before-tax amount	Tax benefit *(note 23(b))*	Net-of-tax amount	Before-tax amount	Effect on deferred tax balances resulting from a change in tax rate *(note 23(b))*	Tax benefit *(note 23(b))*	Net-of-tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at FVOCI (non-recycling) – net movement in fair value reserve	(6,804)	1,020	(5,784)	(3,587)	2,182	538	(867)
Exchange differences on translation of financial statements	95,307	–	95,307	(35,140)	–	–	(35,140)
Other comprehensive income	88,503	1,020	89,523	(38,727)	2,182	538	(36,007)

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB415,065,000 (2019: RMB432,403,000) and the weighted average of 2,067,602,000 ordinary shares (2019: 2,067,602,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as the Company did not have dilutive potential shares outstanding during the year (2019: nil).

11. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	Buildings situated on leasehold land classified as right-of -use assets *(note 12)*	Plant and machinery	Office equipment and other fixed assets	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2019	1,215,434	260,690	239,449	33,814	29,800	1,779,187
Exchange realignment	1,056	24	89	–	–	1,169
Additions	139	9,890	4,348	909	–	15,286
Disposals	–	(11,164)	(4,470)	–	–	(15,634)
At 31 December 2019	1,216,629	259,440	239,416	34,723	29,800	1,780,008
Accumulated depreciation and amortisation:						
At 1 January 2019	367,597	166,068	181,923	28,542	–	744,130
Exchange realignment	154	12	118	–	–	284
Charge for the year *(note 5(c))*	58,607	22,409	6,923	580	–	88,519
Written back on disposals	–	(7,125)	(1,164)	–	–	(8,289)
At 31 December 2019	426,358	181,364	187,800	29,122	–	824,644
Net book value:						
At 31 December 2019	790,271	78,076	51,616	5,601	29,800	955,364

11. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (Continued)

	Buildings situated on leasehold land classified as right-of-use assets *(note 12)* RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2020	1,216,629	259,440	239,416	34,723	29,800	1,780,008
Exchange realignment	(3,315)	–	(187)	–	–	(3,502)
Additions	7	5,085	1,835	486	–	7,413
Disposals	(8)	(297)	(1,647)	(372)	–	(2,324)
At 31 December 2020	1,213,313	264,228	239,417	34,837	29,800	1,781,595
Accumulated depreciation and amortisation:						
At 1 January 2020	426,358	181,364	187,800	29,122	–	824,644
Exchange realignment	(67)	–	(749)	–	–	(816)
Charge for the year *(note 5(c))*	53,899	16,305	5,945	698	–	76,847
Written back on disposals	(7)	(267)	(1,352)	(335)	–	(1,961)
At 31 December 2020	480,183	197,402	191,644	29,485	–	898,714
Net book value:						
At 31 December 2020	733,130	66,826	47,773	5,352	29,800	882,881

As at 31 December 2020, a property with net book value of RMB39,826,000 (2019: RMB43,571,000) was pledged as security for a banking facility of the Group (note 20).

12. RIGHT-OF-USE ASSETS

	Buildings RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2019	8,334	111,462	119,796
Exchange realignment	55	–	55
Additions	–	1,865	1,865
At 31 December 2019 and 1 January 2020	8,389	113,327	121,716
Exchange realignment	61	–	61
Additions	3,348	–	3,348
Termination of lease	(4,275)	–	(4,275)
At 31 December 2020	7,523	113,327	120,850
Accumulated depreciation:			
At 1 January 2019	–	–	–
Exchange realignment	24	–	24
Charge for the year *(note 5 (c))*	4,994	2,959	7,953
At 31 December 2019 and 1 January 2020	5,018	2,959	7,977
Exchange realignment	34	–	34
Charge for the year *(note 5 (c))*	3,322	3,010	6,332
Written back on termination of lease	(3,260)	–	(3,260)
At 31 December 2020	5,114	5,969	11,083
Net book value:			
At 31 December 2020	2,409	107,358	109,767
At 31 December 2019	3,371	110,368	113,739

The analysis of expense items in relation to leases recognised in the consolidated profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation expense of right-of-use assets (as above) *(note 5(c))*	6,332	7,953
Interest on lease liabilities *(note 19)*	172	296
Expense relating to to short-term leases/and other leases with remaining lease term ending on or before 31 December 2019 *(note 5(c))*	4,288	6,827
Total amount recognised in profit or loss	10,792	15,076

12. RIGHT-OF-USE ASSETS (Continued)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19 and 26(b), respectively.

Ownership interests in leasehold land held for own use

The Group holds several leasehold land for its business, where its manufacturing facilities are primarily located. Lump sum payments were made upfront to acquire these land interests, and there are no ongoing payments to be made under the terms of the land lease.

Other properties leased for own use

The Group has obtained the right to use other properties as its office through tenancy agreements. The leases typically run for an initial period of one to three years (2019: one to eight years). Lease payments are usually increased every year to reflect market rentals.

13. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's subsidiaries are set out as below. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Sanliuyidu Holdings Company Limited	BVI	100 shares of United States dollar ("US$") 1 each	100% (2019: 100%)	100% (2019: 100%)	–	Investment holding
361 Enterprise Company Limited	Hong Kong	1 share	100% (2019: 100%)	–	100% (2019: 100%)	Investment holding
361 Investment Company Limited	Hong Kong	1 share	100% (2019: 100%)	–	100% (2019: 100%)	Investment holding
361 Degrees (Hong Kong) Investment Limited	Hong Kong	1 share	87% (2019: 87%)	–	100% (2019: 100%)	Investment holding
Sanliuyidu (Fujian) Sports Goods Co., Ltd. 三六一度(福建)體育用品有限公司 *(Notes (i) and (iv))*	PRC	HK$280,000,000	100% (2019: 100%)	–	100% (2019: 100%)	Manufacture and trading of sporting goods
Sanliuyidu (China) Co., Ltd. 三六一度(中國)有限公司 *(Notes (i) and (iv))*	PRC	HK$560,000,000	100% (2019: 100%)	–	100% (2019: 100%)	Manufacture and trading of sporting goods
Sanliuyidu Xiamen Industry & Trade Co., Limited 三六一度(廈門)工貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB100,000,000	100% (2019: 100%)	–	100% (2019: 100%)	Trading of sporting goods
Sanliuyidu (Fujian) Shoes and Plastics Technology Co., Ltd. 三六一度(福建)鞋塑科技有限公司 *(Notes (iii) and (iv))*	PRC	HK$120,000,000	51% (2019: 51%)	–	51% (2019: 51%)	Manufacture and trading of shoes soles
361 Degrees Children's Clothing Co., Ltd. 三六一度童裝有限公司 *(Notes (i) and (iv))*	PRC	HK$80,000,000	87% (2019: 87%)	–	100% (2019: 100%)	Trading of children sporting goods

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Yue Lei International Limited 宇彌國際有限公司	Hong Kong	100,000 shares	100% (2019: 100%)	–	100% (2019: 100%)	Trading of sporting goods
361 Degrees Kids Wear Holdings Limited	BVI	1 share of US$1	100% (2019: 100%)	–	100% (2019: 100%)	Investment holding
361 Degrees Kids Wear Limited	Cayman Islands	1,000,000 shares of HK$0.01 each	87% (2019: 87%)	–	87% (2019: 87%)	Investment holding
361 Degrees Kids Wear Investment Limited	BVI	1 share of US$1	87% (2019: 87%)	–	100% (2019: 100%)	Investment holding
One Way International Enterprise Limited 萬唯國際實業有限公司	Hong Kong	10,000 shares	70% (2019: 70%)	–	70% (2019: 70%)	Investment holding
Zhonglan Sports Goods Co., Ltd. 中蘭体育用品有限公司 *(Notes (i) and (iv))*	PRC	RMB49,910,463	70% (2019: 70%)	–	100% (2019: 100%)	Investment holding
Wangwei (Xiamen) Industry & Trade Co., Limited 望唯(廈門)工貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	70% (2019: 70%)	–	100% (2019: 100%)	Trading of sporting goods
361 USA, Inc	United States	US$19	100% (2019: 100%)	–	100% (2019: 100%)	Trading of sporting goods
Yue Lei do Brasil Comércio, Importação e Exportação de Artigos Esportivos Ltda	Brazil	62,310,627 shares of Brazilian Real 1 each	100% (2019: 100%)	–	100% (2019: 100%)	Trading of sporting goods
Quanzhou Jinjiang Jiangtou Minhai Gas Station Ltd. 泉州晉江江頭閩海加油站有限公司 *(Notes (ii) and (iv))*	PRC	RMB25,100,000	51% (2019: 51%)	–	51% (2019: 51%)	Operating of gas station
Duoyidu (Quanzhou) E-commerce Co.,Ltd. ("Duoyidu") 多一度(泉州)電子商務有限公司 *(Notes (ii) and (iv))*	PRC	RMB4,067,073 (2019: RMB3,000,000)	72.13% (2019: 80%) *(Note (vi))*	–	72.13% (2019: 80%)	Distribution and sales of the Group's *361°* products via the e-commerce platform
361° Europe Holding B.V.	Netherlands	Euro 100	100% (2019: 100%)	–	100% (2019: 100%)	Investment holding
361° Europe B.V.	Netherlands	Euro 100	100% (2019: 100%)	–	100% (2019: 100%)	Trading of sporting goods
Sanliuyidu (Xiamen) Investment Management Consulting Co., Ltd. 三六一度(廈門)投資管理諮詢有限公司 *(Notes (ii) and (iv))*	PRC	RMB1,000,000	100% (2019: 100%)	–	100% (2019: 100%)	Investment holding
Quanzhou Shenghong Trading Co., Ltd. 泉州市晟鴻商貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB1,000,000	100% (2019: 100%)	–	100% (2019: 100%)	Trading of sporting goods

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Quanzhou 361 Degrees Investment Company Limited泉州三六一度投資有限公司 *(Notes (ii) and (iv))*	PRC	RMB50,000,000	100% (2019: 100%)	–	100% (2019: 100%)	Investment holding
Zhuji 361 Degrees Children's Wear Co. Limited ("Zhuji 361 Degrees") 諸暨市三六一度童裝有限公司 *(Notes (ii), (iv) and (v))*	PRC	HK$134,737,000	74% (2019: 74%) *(Note (v))*	–	85% (2019: 85%)	Trading of children sporting goods

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

(iii) The entity is a sino-foreign equity joint venture enterprise registered in the PRC.

(iv) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(v) On 9 November 2018, the Group entered into the investment agreement with Zhuji Yingshi Chuangjia Equity Investment Limited Partnership (the "Investor"), an independent third party, that the Investor agreed to acquire approximately 14.93% of the equity interest in Zhuji 361 Degrees, an indirectly wholly-owned subsidiary of the Company, by way of subscribing for additional registered capital at a consideration of RMB500,000,000. The subscription shall be subject to the condition precedent that the substantive operations of the Group's all kids wears business are shifted into Zhuji 361 Degrees and the consideration is fully injected into Zhuji 361 Degrees. If the Group and the Investor failed to satisfy the condition precedent, the investment advancement would have to be refunded to the Investor.

As at 31 December 2018, the Group had received the investment advancement in amount of RMB350,000,000 ("Initial Investment"), which is recorded in advances from Investor, as the injection of Initial Investment to the Group's kids wears business to Zhuji 361 Degrees had not commenced yet. In April 2019, kids wears business were started to shift into Zhuji 361 Degrees. On 30 September 2019, the Group further received the investment advancement in amount of RMB150,000,000 ("Subsequent Investment").

Upon completion of the injection of Subsequent Investment on 30 September 2019, in the opinion of the directors of the Company, the investment by the Investor was completed. The equity interests in Zhuji 361 Degrees held by an indirectly owned subsidiary of the Company was decreased from 100% to approximately 85.07%. The decrease in equity interests in Zhuji 361 Degrees is considered as a deemed disposal of a subsidiary and accounted for as an equity transaction. The difference between the net assets shared by the non-controlling interests of RMB171,998,000 and consideration received of RMB500,000,000 was treated as an equity movement and recorded in "Other reserves".

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(vi) On 16 July 2020, the Group entered into a limited partnership agreement (the "Limited Partnership Agreement") with two independent third parties, in respect of the establishment of a limited partnership in the PRC (the "Partnership"). The purpose of the Partnership is to make investment into Duoyidu by way of subscription of not more than 40% of equity interest in Duoyidu. According to the Limited Partnership Agreement, the total amount of capital commitments of the Partnership is RMB1,100,000,000 and of which the Group and the two independent third parties will contribute RMB550,110,000 and RMB549,900,000 respectively. The Partnership is owned as to 50.01% and 49.99% by the Group and the two independent third parties respective. Therefore, the Group owns the majority of voting rights and excerise control over the Partnership and accounted for as an indirectly non-wholly owned subsidiary of the Company.

On the same date, the Group entered into an investment agreement with (i) an non-controlling interest of Duoyidu and (ii) the Partnership. Pursuant to which the Partnership agreed to acquire approximately 35.85% of equity interest in Duoyidu, by way of subscribing for additional registered capital at a consideration of RMB1,100,000,000.

During the year ended 31 December 2020, the Group and the two independent third parties have contributed RMB350,060,000 and RMB349,940,000 respectively into the Partnership. The Partnerhship then injected the total amount so received of RMB700,000,000 to Duoyidu according to the investment agreement. The remaining capital of RMB400,000,000 has not yet paid up to the Partnership as at 31 December 2020.

In the opinion of the directors of the Company, after considering the legal advice from the Group's PRC external legal adviser, the equity interest held by the Partnership was based on the its paid-up capital contribution to Duoyidu as at 31 December 2020, which resulted in the effective equity interest held by the Group decreased from 80% to 72.13% during the year ended 31 December 2020. As a result, a deemed disposal of a subsidiary of approximately RMB190,376,000 is recognised during the year and accounted for as an equity transaction and recorded in "Other reserves".

Subsequent to the year ended 31 December 2020, the Group and the two independent third parties have contributed the remaining capital of RMB400,000,000 in the Partnership and the Partnership injected the amount so received of RMB400,000,000 to Duoyidu. A further deemed disposal of 2.88% will be recognised after 31 December 2020 and accounted for as an equity transaction and recorded in "Other reserves". After the completion of the acquisition under the investment agreement, the Group will have equity interests through an indirectly wholly owned subsidiary and the Partnership in Duoyidu of 51.32% and 17.93% respectively.

Details of the above transactions are set out in the announcements of the Company dated 7 July 2020, 16 July 2020 and 22 December 2020.

14. OTHER NON-CURRENT FINANCIAL ASSET

	2020 RMB'000	2019 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	18,188	24,992

The unlisted equity securities represent equity interest of 6.7% (2019: 6.7%) in Jinjiang Merchant Investment Co., Ltd, a company incorporated in the PRC and engaged in property development. The Group designated its investment in Jinjiang Merchant Investment Co., Ltd at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends income was recognised on this investment during the year (2019: nil).

15. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Raw materials	36,068	23,892
Work in progress	18,358	21,958
Finished goods	708,141	1,122,186
	762,567	1,168,036

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	3,174,142	3,362,250
Write down of inventories	11,083	–
	3,185,225	3,362,250

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Trade receivables	2,274,493	2,125,643
Less: allowance for expected credit loss	(90,303)	(50,847)
Trade receivables, net of loss allowance	2,184,190	2,074,796
Bills receivable *(Note a)*	73,254	124,578
Deposits, prepayments and other receivables		
Current		
Deposits	151	8
Prepayments *(Note b)*	827,491	531,642
Other receivables *(Note c)*	78,475	107,824
	906,117	639,474
Non-current		
Deposits and prepayments	88,890	91,895

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

(a) The balance represneted certain bank acceptance bills totalling RMB73,254,000 (2019: RMB124,578,000). The directors of the Company considered the expected credit loss for these bills is immaterial in view of no history of default and good repayment history of these customers.

As at 31 December 2020, the Group endorsed certain bank acceptance bills totalling RMB186,367,000 (2019: RMB217,513,000) to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

(b) Included in prepayments are amounts prepaid to suppliers and advertisers of RMB799,158,000 and RMB16,990,000 respectively (2019: RMB451,784,000 and RMB54,990,000).

(c) Included in other receivables are the amounts due from non-controlling interests of a subsidiary and interest receivables of approximately RMB6,290,000 and RMB37,310,000 respectively (2019: nil and RMB34,035,000).

The amounts due from non-controlling interests were unsecured, interest-free and repayable on demand, such balance has fully settled the balance subsequent to the year ended.

All of the trade receivables, bills receivable and current portion of deposits, prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for expected credit loss, is as follows:

	2020 RMB'000	2019 RMB'000
Within 90 days	1,672,852	1,500,107
Over 90 days but within 180 days	385,969	667,207
Over 180 days but within 360 days	198,623	32,060
	2,257,444	2,199,374

Trade and bills receivables are due within 30 to 180 days (2019: 30 to 180 days) from the date of billing. Further details on the Group's credit policy and the movement in the ECL allowance for trade receivables are set out in note 26(a).

17. CASH AND BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

	2020 RMB'000	2019 RMB'000
Pledged bank deposits	62,628	230,675
Deposits with banks		
– More than three months to maturity when placed	3,000,000	3,000,000
Cash and cash equivalents		
– Deposits with banks within three months to maturity when placed	–	392,029
Cash at bank and on hand	3,451,331	3,030,266
	6,513,959	6,652,970

Pledged bank deposits represent deposits pledged to certain banks as security for certain banking facilities (see notes 18 and 20).

Bank balances earns interest at floating rates based on daily bank deposit rates ranging from 0.001% to 0.3% (2019: 0.002% to 0.35%) per annum (note 26(c)(i)). Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates of 2.1% (2019: 1.95% to 2.1%) per annum (note 26(c)(i)).

At 31 December 2020, balances that were placed with banks or on hand in the PRC and amounted to approximately RMB6,464,026,000 (2019: RMB6,394,187,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

17. CASH AND BANK DEPOSITS AND OTHER CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 *(note 19)*	Bank loans RMB'000 *(note 20)*	Interest-bearing borrowings RMB'000 *(note 21)*	Total RMB'000
At 1 January 2019	8,334	112,176	2,714,393	2,834,903
Changes from financing cash flows:				
Payment for repurchase of senior unsecured notes	–	–	(314,957)	(314,957)
Principal element of lease rentals paid	(6,939)	–	–	(6,939)
Interest element of lease rentals paid	(296)	–	–	(296)
Proceeds from bank loans	–	100,000	–	100,000
Repayment of bank loans	–	(101,221)	–	(101,221)
Interest paid	–	(6,643)	(193,451)	(200,094)
Total changes from financing cash flows	(7,235)	(7,864)	(508,408)	(523,507)
Exchange realignment	29	231	54,733	54,993
Other changes:				
Interest expense *(note 5(a))*	296	6,643	210,530	217,469
Addition of lease liabilities	1,865	–	–	1,865
Gain on repurchase of senior unsecured notes	–	–	(52,644)	(52,644)
Total other changes	2,161	6,643	157,886	166,690
At 31 December 2019	3,289	111,186	2,418,604	2,533,079

17. CASH AND BANK DEPOSITS AND OTHER CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000 *(note 19)*	Bank loans RMB'000 *(note 20)*	Interest-bearing borrowings RMB'000 *(note 21)*	Total RMB'000
At 1 January 2020	3,289	111,186	2,418,604	2,533,079
Changes from financing cash flows:				
Payment for repurchase of senior unsecured notes	–	–	(504,452)	(504,452)
Principal Capital element of lease rentals paid	(3,413)	–	–	(3,413)
Interest element of lease rentals paid	(172)	–	–	(172)
Proceeds from bank loans	–	200,948	–	200,948
Repayment of bank loans	–	(101,270)	–	(101,270)
Interest paid	–	(7,548)	(148,855)	(156,403)
Total changes from financing cash flows	(3,585)	92,130	(653,307)	(564,762)
Exchange realignment	39	(642)	(152,144)	(152,747)
Other changes:				
Interest expense *(note 5(a))*	172	7,548	159,616	167,336
Addition of lease liabilities	3,348	–	–	3,348
Termination of lease	(1,034)	–	–	(1,034)
Gain on repurchase of senior unsecured notes	–	–	(46,199)	(46,199)
Total other changes	2,486	7,548	113,417	123,451
At 31 December 2020	2,229	210,222	1,726,570	1,939,021

18. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade creditors	860,569	720,726
Bills payable	198,760	850,420
Contract liabilities	211,453	164,496
Other payables and accruals	485,273	570,525
	1,756,055	2,306,167

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable, is as follows:

	2020 RMB'000	2019 RMB'000
Due within 1 month or on demand	396,860	745,242
Due after 1 month but within 3 months	344,790	374,472
Due after 3 months but within 6 months	317,679	451,432
	1,059,329	1,571,146

Bills payable were secured by pledged bank deposits as disclosed in note 17 and guaranteed by certain subsidiaries of the Company.

Contract liabilities, representing receipt in advance from customers, are separately presented. Movement of contract liabilities is as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	164,496	141,128
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(164,496)	(141,128)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	211,453	164,496
Balance at 31 December	211,453	164,496

19. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
At 1 January	3,289	8,334
Addition	3,348	1,865
Termination of lease	(1,034)	–
Payment of principal and interest	(3,585)	(7,235)
Interest expenses *(note 5(a))*	172	296
Exchange realignment	39	29
Balance at 31 December	2,229	3,289
Current	2,156	2,763
Non-current	73	526
	2,229	3,289

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	2,156	2,205	2,763	2,845
After 1 year but within 2 years	73	73	526	537
After 2 years but within 5 years	–	–	–	–
	73	73	526	537
	2,229	2,278	3,289	3,382
Less: total future interest expenses		(49)		(93)
Present value of lease liabilities		2,229		3,289

19. LEASE LIABILITIES (Continued)

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	4,288	6,522
Within financing cash flows *(note 17)*	3,585	7,235
	7,873	13,757

20. BANK LOANS

At 31 December 2020, bank loans were classified as current liabilities which were repayable within one year or on demand and secured as follows:

	2020 RMB'000	2019 RMB'000
Secured bank loans	10,222	11,186
Unsecured bank loans	200,000	100,000
	210,222	111,186

The amounts of banking facilities and the utilisation at the end of each reporting period are set out as follows:

	2020 RMB'000	2019 RMB'000
Facilities amount	1,276,592	2,997,865
Utilisation at the end of the reporting period		
– Bills payable	198,760	850,420
– Bank loans	210,222	111,186
	408,982	961,606

As at 31 December 2020, certain bank loans and bills payable of the Group were secured by a property with carrying amount of RMB39,826,000 (2019: RMB43,571,000) (note 11) and pledged bank deposits of RMB62,628,000 (2019: RMB230,675,000) (note 17). As at 31 December 2020, certain bank loans and bills payable of the Group were also guaranteed by certain subsidiaries of the Company (2019: same).

21. INTEREST-BEARING BORROWINGS

	2020 RMB'000	2019 RMB'000
At amortised cost:		
Senior unsecured notes due 2021	1,726,570	2,418,604
Non-current	–	2,418,604
Current	1,726,570	–
	1,726,570	2,418,604

On 3 June 2016, the Company issued senior unsecured notes with principal amount of US$400,000,000 due 2021 (the "US$ Notes"). The US$ Notes are interest bearing at 7.25% per annum, and payable on a semi-annual basis in arrears. The maturity date of the US$ Notes is 3 June 2021. The effective interest rate of the US$ Notes is 7.86% per annum.

The Group had partially repurchased the US$ Notes in the opend market since issuance and as at 31 December 2019, the principal amount of outstanding was approximately US$346,250,000 (equivalent to approximately RMB2,418,604,000).

During the year, the Company repurchased an aggregate principal amount of approximately US$80,140,000 (equivalent to approximately RMB552,595,000) (2019: US$53,750,000 (equivalent to approximately RMB370,200,000)) ("Repurchased Notes") in the open market, representing approximately 20% (2019: 13.4%) of the initial aggregate principal amount of the US$ Notes. All the repurchased US$ Notes were cancelled during the years ended 31 December 2020 (2019: same).

As at 31 December 2020, the remaining aggregate principal amount of the US$ Notes outstanding was US$266,110,000 (equivalent to approximately RMB1,726,070,000) (2019: US$346,250,000). The difference between the carrying amount at amortised cost of approximately RMB550,651,000 (2019: RMB367,601,000) and the payment of the Repurchased Notes of approximately RMB504,452,000 (2019: RMB314,957,000) is recognised in the consolidated profit or loss as gain on repurchase of senior unsecured notes of approximately RMB46,199,000 (2019: RMB52,644,000) for the year.

Subsequent to 31 December 2020, the Group made an offer to repurchase the US$ Note of US$138,300,000 in aggregate principal amount at US$1,000 per US$1,000 principal amount of the US$ Notes (the "Offer"). The Offer was completed on 15 January 2021. The US$ Notes repurchased pursuant to the Offer have been cancelled accordingly. The remain aggregate principal amount of the US$ Notes outstanding was US$127,810,000 (equivalent to approximately RMB831,623,000).

Details of the Offer is set out in the announcements of the Company dated 4 January, 13 January and 18 January 2021 respectively.

The above interest-bearing borrowings are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. A breach of these would result that the principal and interest would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2020, none of the convenants relating to the borrowings had been breached (2019: none).

22. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Fujian Province whereby the Group is required to make contributions to the Scheme at rates which ranged from 16% to 19% of the eligible employees' relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with the Scheme and the MPF scheme beyond the annual contributions described above.

23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020 **RMB'000**	2019 RMB'000
Balance at 1 January	**388,894**	475,905
Provision for PRC income tax for the year *(note 6(a))*	**231,373**	247,401
Payment during the year	**(274,053)**	(334,412)
Balance at 31 December	**346,214**	388,894

23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Credit loss allowance RMB'000	Expenses deductible on paid basis RMB'000	Income taxable on receipt basis RMB'000	Revaluation of other financial asset RMB'000	Total RMB'000
Deferred tax arising from:					
Balance at 1 January 2019	14,463	38,997	(4,167)	(5,454)	43,839
Effect on deferred tax balances resulting from a change in tax rate credited to profit or loss *(note 6(a))*	–	4,367	–	–	4,367
Charged to profit or loss *(note 6(a))*	(1,761)	(3,514)	(4,341)	–	(9,616)
Effect on deferred tax balances resulting from a change in tax rate credited to reserves *(note 9)*	–	–	–	2,182	2,182
Credited to reserves *(note 9)*	–	–	–	538	538
Balance at 31 December 2019 and 1 January 2020	12,702	39,850	(8,508)	(2,734)	41,310
Effect on deferred tax balances resulting from a change in tax rate credited to profit or loss *(note 6(a))*	–	–	–	–	–
Credited/(Charged) to profit or loss *(note 6(a))*	11,694	14,312	(868)	–	25,138
Credited to reserves *(note 9)*	–	–	–	1,020	1,020
Balance at 31 December 2020	**24,396**	**54,162**	**(9,376)**	**(1,714)**	**67,468**

23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	81,749	60,419
Net deferred tax liabilities recognised in the consolidated statement of financial position	(14,281)	(19,109)
	67,468	41,310

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets of approximately RMB33,010,000 (2019: RMB51,491,000) in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within 5 years when such losses were incurred under current tax legislation.

(d) Deferred tax liabilities not recognised

Pursuant to the EIT law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008.

At 31 December 2020, the Group has not recognised deferred tax liabilities of RMB325,183,000 (2019: RMB295,395,000) in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to RMB6,503,653,000 (2019: RMB5,907,907,000) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

24. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Notes	Share capital RMB'000	Exchange reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2019		182,298	(75,739)	(31,485)	75,074
Changes in equity for 2019:					
Profit for the year		–	–	239,921	239,921
Other comprehensive loss		–	(2,556)	–	(2,556)
Total comprehensive income/(loss) for the year		–	(2,556)	239,921	237,365
Dividends declared and paid during the year	*24(b)*	–	–	(169,543)	(169,543)
Balance at 31 December 2019 and 1 January 2020		182,298	(78,295)	38,893	142,896
Changes in equity for 2020:					
Loss for the year		–	–	(107,245)	(107,245)
Other comprehensive loss		–	(1,347)	–	(1,347)
Total comprehensive (loss)/income for the year		–	(1,347)	(107,245)	(108,592)
Dividends declared and paid during the year	*24(b)*	–	–	(27,804)	(27,804)
Balance at 31 December 2020		**182,298**	**(79,642)**	**(96,156)**	**6,500**

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020 RMB'000	2019 RMB'000 (restated) *(note (ii))*
Interim dividend declared and paid of nil cent (2019: HK8.2 cents) per ordinary share	–	148,867
Special dividend declared and paid of nil cents (2019: HK1.1 cents) per ordinary share	–	20,676
Final dividend proposed after the end of the reporting period of nil cents (2019: HK1.5 cents) per ordinary share #	–	–
	–	169,543

Note:

These final dividends have not been provided in the consolidated financial statements during the year ended 31 December 2019.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The board of directors of the Company has resolved to recommend the payment of the proposed final dividend of HK1.5 cents per ordinary share ("Proposed Final Dividend") subject to the approval of the shareholders at the annual general meeting (the "AGM"), in the annual results announcement for the year ended 31 December 2019 dated 17 March 2020. The amount of approximately RMB27,804,000 was disclosed as dividends payable to equity shareholders of the Company attributable to the year ended 31 December 2019.

Due to inadvertent oversight, the proposed resolution approving the declaration of the Proposed Final Dividend was omitted from the notice of the AGM dated 23 March 2020. As a result, the comparative figures in note 24b(i) is restated from RMB27,804,000 to nil.

According to the announcement date on 28 April 2020, the board of directors of the Company resolved at its meeting held on 28 April 2020 to pay a 2019 special dividend of HK1.5 cents per ordinary share, being an amount identical to the Proposed Final Dividend, in substitution of the Proposed Final Dividend.

	2020 RMB'000	2019 RMB'000
Special dividend in respect of the previous financial year, approved and paid during the year, of HK1.5 cents (2019: nil) per ordinary share	27,804	–

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

	2020 Number of shares '000	2020 Amount HK$'000	2019 Number of shares '000	2019 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000

	Number of shares '000	Amount HK$'000	Amount RMB'000
Ordinary shares, issued and fully paid:			
At 1 January 2019, 31 December 2019 and 31 December 2020	2,067,602	206,760	182,298

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Other reserves

On 25 July 2008, the shareholders transferred the entire equity interest in Sanliuyidu (Fujian) Sports Goods Co., Ltd. and the business of Sanliuyidu (Hong Kong) Sports Goods Co., Ltd. to 361 Enterprise Company Limited for cash consideration of HK$1. The difference between the historical carrying value of equity acquired and acquisition consideration is treated as an equity movement and recorded in "Other reserves".

On 23 December 2013, 361 Degrees Kids Wear Limited allotted shares to holders of non-controlling interests, which represented 13% of its enlarged share capital, and received a total consideration of RMB16,225,000. The difference between the net assets shared by the non-controlling interests and consideration received was treated as an equity movement and recorded in "Other reserves".

On 30 September 2019, the Investor injected Subsequent Investment to Zhuji 361 Degrees of RMB150,000,000. Upon completion of the injection of Subsequent Investment, in the opinion of the directors of the Company, the investment by the Investor with total consideration of RMB500,000,000 was completed. The difference between the net assets shared by the non-controlling interests of RMB171,998,000 and the total consideration received was treated as an equity movement and recorded in "Other reserves".

As disclosed in note 13(vi), the effective equity interest held by the Group was considered to decrease from 80% to 72.13% upon the partial capital injection to Duoyidu by the Partnership during the year ended 31 December 2020. As a result, a deemed disposal of a subsidiary of approximately RMB190,376,000 is recognised during the year and accounted for as an equity transaction and recorded in "Other reserves".

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to appropriate 10% of their profit after income tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from translation of the financial statements of entities with functional currency other than RMB, the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 1(s).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(e)).

(e) Distributability of reserves

At 31 December 2020, there was no aggregate amount of reserves available for distribution to equity shareholders of the Company (2019: RMB38,893,000). After the end of the reporting period, the directors of the Company did not recommend the payment of final dividend (2019: RMBnil) for the current year.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation. The Group's gearing ratio, being the Group's interest bearing debt over its total assets, as at 31 December 2020 was approximately 16.7% (2019: 21.2%).

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	2,184,190	2,074,796
Bills receivable	73,254	124,578
Other receivables	78,475	107,824
Pledged bank deposits	62,628	230,675
Deposits with banks	3,000,000	3,000,000
Cash and cash equivalents	3,451,331	3,422,295
Financial assets at fair value		
Financial assets at FVOCI:		
Other financial asset	18,188	24,992
	8,868,066	8,985,160
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	1,544,602	2,141,671
Lease liabilities	2,229	3,289
Bank loans	210,222	111,186
Interest-bearing borrowings	1,726,570	2,418,604
	3,483,623	4,674,750

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and commodity price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from the movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from bank balances is limited because the counterparties are banks, for which the Group considers to have low credit risk. At the end of the reporting period, there is some concentration and credit risk on the total bank deposits (including cash and cash equivalents, pledged bank deposits, deposits with banks), as most of the total bank deposits were placed in certain banks.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 11% (2019: 11%) and 44% (2019: 47%) of the gross trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patters for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customers bases.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables:

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
At 31 December 2020				
Current (not past due)	1.3	1,630,687	(20,322)	1,610,365
1 – 90 days past due	7.1	404,082	(28,880)	375,202
More than 90 days past due	17.1	239,724	(41,101)	198,623
		2,274,493	(90,303)	2,184,190
At 31 December 2019				
Current (not past due)	0.6	1,498,254	(8,308)	1,489,946
1 – 90 days past due	3.9	516,081	(19,916)	496,165
More than 90 days past due	20.3	111,308	(22,623)	88,685
		2,125,643	(50,847)	2,074,796

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over a period of 12 month and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth and unemployment rate are to be the most relevant factor, and these are applied in the regression model given the COVID-19 pandemic and some significant changes in the market indexes, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

Movement in the ECL allowance in respect of trade receivables during the year is as follows:

Measurement of ECLs:

	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2019	57,855	–	57,855
Reversal of impairment losses *(note 5(c))*	(7,008)	–	(7,008)
At 31 December 2019 and 1 January 2020	50,847	–	50,847
Provision for impairment losses *(note 5(c))*	31,764	7,692	39,456
At 31 December 2020	82,611	7,692	90,303

Other receivables

For other receivables, in order to minimise the credit risk, the management of the Group closely monitor the follow-up action taken to recover any past due receivable balances. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has applied the general approach in HKFRS 9 to measure the ECL allowance at 12-month ECL, since there has not been a significant increase in credit risk since initial recognition for the other receivables. The credit risk on other receivables have not increased significantly since initial recognition as each of the counterparties have no history of default and good repayment records.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2020					
Trade and other payables	**1,544,602**	**–**	**–**	**1,544,602**	**1,544,602**
Lease liabilities	**2,205**	**73**	**–**	**2,278**	**2,229**
Bank loans	**211,056**	**–**	**–**	**211,056**	**210,222**
Interest-bearing borrowings	**1,784,463**	**–**	**–**	**1,784,463**	**1,726,570**
Total	**3,542,326**	**73**	**–**	**3,542,399**	**3,483,623**
At 31 December 2019					
Trade and other payables	2,141,671	–	–	2,141,671	2,141,671
Lease liabilities	2,845	537	–	3,382	3,289
Bank loans	113,024	–	–	113,024	111,186
Interest-bearing borrowings	176,668	2,511,333	–	2,688,001	2,418,604
Total	2,434,208	2,511,870	–	4,946,078	4,674,750

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The table below summarises the maturity analysis of bank loans with a repayment on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

The directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2020						
Bank loans	**2,393**	**1,444**	**4,332**	**2,888**	**11,057**	**10,222**
At 31 December 2019						
Bank loans	1,542	1,542	4,627	4,627	12,338	11,186

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities, bank loans, interest-bearing borrowings and bank balances. Borrowings and bank balances at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less pledged bank deposits, deposits with banks and cash and cash equivalents) at the end of the reporting period.

	2020		2019	
	Effective interest rate per annum %	Amount RMB'000	Effective interest rate per annum %	Amount RMB'000
Fixed rate deposits/(borrowings)				
Pledged bank deposits	1.3-1.55	62,628	0.30 – 1.55	230,675
Deposits with banks	2.1	3,000,000	1.95 – 2.10	3,000,000
Cash and cash equivalents	–	–	1.00 – 2.10	392,029
Lease liabilities	4 – 5.01	(2,229)	5.01	(3,289)
Interest-bearing borrowings	7.86	(1,726,570)	7.86	(2,418,604)
		1,333,829		1,200,811
Variable rate deposits/(borrowings)				
Cash and cash equivalents	0.001 – 0.3	3,451,331	0.002 – 0.35	3,022,253
Bank loans	1 – 4.15	(210,222)	2.47 – 4.62	(111,186)
		3,241,109		2,911,067
Total net deposits		4,574,938		4,111,878

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in both saving and lending interest rates, with all other variables held constant, would have increased/decreased the Group's profit after income tax and retained profits by approximately RMB25,562,000 (2019: RMB22,288,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after income tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after income tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

(d) Currency risk

The Group is exposed to currency risk primarily through bank balances and interest-bearing borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily HK$ and US$.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure of foreign currencies					
	2020			2019		
	Hong Kong dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Hong Kong dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000
Cash and bank deposits	979	24,853	5,836	979	230,790	3
Amounts due from group companies	–	–	841,550	–	–	1,564,792
Amounts due to group companies	–	–	(675,903)	–	–	(701,088)
Interest-bearing borrowings	–	(1,726,570)	–	–	(2,418,604)	–
Net exposure arising from recognised assets and liabilities	979	(1,701,717)	171,483	979	(2,187,814)	863,707

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after income tax and retained profits that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained profits RMB'000
Hong Kong dollars	5%	37	5%	37
	(5%)	37	(5%)	(37)
Renminbi	5%	8,574	5%	43,185
	(5%)	8,574	(5%)	(43,185)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after income tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2019.

(e) Commodity price risk

The major raw materials used in the production of the Group's products include leathers, polymers and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Business risk

The Group's primary business is the design, manufacturing and distribution of branded sports footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that find favour in the market place, maintain a larger network of distributors, manufacture sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement:				
At 31 December 2020				
Financial asset:				
Unlisted equity security	**18,188**	**–**	**–**	**18,188**
At 31 December 2019				
Financial asset:				
Unlisted equity security	24,992	–	–	24,992

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by adjusted net assets value approach. Under adjusted net assets value approach, total value of the equity was based on the sum of the net asset value, determined by marking every asset and liability on (and of) the investee's balance sheet to fair value. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% (2019: 5%) would have increased/decreased the Group's other comprehensive income by RMB2,401,000 (2019: RMB2,586,000).

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
Balance at 1 January	24,992	28,579
Net unrealised losses recognised in other comprehensive income during the year *(note 9)*	(6,804)	(3,587)
Balance at 31 December	18,188	24,992

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 2019 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount RMB'000	Fair value RMB'000	Fair value measurements categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
At 31 December 2020					
Interest-bearing borrowings	1,726,570	1,761,110	1,761,110	–	–
At 31 December 2019					
Interest-bearing borrowings	2,418,604	1,968,710	1,968,710	–	–

The fair values of the interest-bearing borrowings, listed senior unsecured notes in Hong Kong, are quoted in the active market.

27. COMMITMENTS

(a) Contractual commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows.

	2020 RMB'000	2019 RMB'000
Advertising and marketing expenses	180,234	137,483

27. COMMITMENTS (Continued)

(b) Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Construction in progress	2,249	2,249

(c) At 31 December 2020, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	776	1,769

The Group is the lessee in respect of a number of warehouses and offices held under operating leases. The leases run for an initial period of one to eight years with options to renew the lease when all terms are renegotiated. None of the leases include contingent rentals.

Operating lease commitments shown above only represent lease commitments of the Group for short-term leases.

28. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in elsewhere in the consolidated financial statements, the Group enter into the following related party transactions:

(a) Balances with a related party

	2020 RMB'000	2019 RMB'000
Amount due from non-controlling interest of a subsidiary (included in trade and other receivables) *(note 16(c))*	6,290	–

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	33,426	34,766
Post-employment benefits	436	430
	33,862	35,196

Total remuneration is included in "staff costs" (see note 5(b)).

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Below is the summary of financial information of Duoyidu which is non-wholly-owned subsidiary with material non-controlling interest. The amounts disclosed below are before any inter-company elimination:

	2020 RMB'000	2019 RMB'000
NCI percentage	27.87%	20.00%
Summarised statement of financial position		
Current assets	1,754,446	141,585
Non-current assets	1,271	63
Current liabilities	(1,121,808)	(272,979)
Net assets	633,909	(131,331)
Carrying amount of NCI	176,670	(26,230)
Summarised statement of comprehensive income		
Revenue	791,451	915,833
Profit/(loss) for the year	65,059	(71,482)
Total comprehensive income/(loss) for the year	65,059	(71,482)
Profit/(loss) allocated to NCI	12,801	(14,296)
Summarised statement of cash flows		
Cash flows from operating activities	(271,469)	(38,460)
Cash flows from investing activities	(1,226)	–
Cash flows from financing activities	700,000	2,000

30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2020 RMB'000	2019 RMB'000
Non-current asset			
Investments in subsidiaries	13	1	1
Current assets			
Amounts due from subsidiaries		1,744,385	2,604,579
Cash and cash equivalents		1,760	993
		1,746,145	2,605,572
Current liabilities			
Other payables		13,076	14,013
Amounts due to subsidiaries		–	30,060
		13,076	44,073
Net current assets		1,733,069	2,561,499
Total assets less current liabilities		1,733,070	2,561,500
Non-current liability			
Interest-bearing borrowings	21	1,726,570	2,418,604
Net assets		6,500	142,896
Capital and reserves	24(a)		
Share capital		182,298	182,298
Deficit		(175,798)	(39,402)
Total equity		6,500	142,896

31. EVENTS AFTER THE REPORTING PERIOD

Save for the repurchase of US$ Notes as disclosed in note 21 to the consolidated financial statements, there is no other significant events after the reporting period.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standard, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

		Effective for annual reporting periods beginning on or after
HKAS 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its associate or Joint Venture	To be determined*
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendments	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRSs Amendments	Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
HKFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
HKAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 Amendments	Onerous Contacts – Cost of Fulfilling a Contract	1 January 2022
HKAS 1 Amendments	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKFRS 17	Insurance contracts and related Amendments	1 January 2023

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2019. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcement of final results	23 March 2021
Closure of register of members	13 May 2021 to 18 May 2021
Record date for determination of entitlement to attend and vote at AGM	18 May 2021

DIVIDENDS

The Board resolved not to pay any final dividend for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Tuesday, 18 May 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 13 May 2021 to 18 May 2021, both days inclusive, during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 12 May 2021.

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, George Town
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
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INVESTOR RELATIONS CONTACT

Tel: +852 2907 7033
Room 1609, Office Tower
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1 Harbour Road
Wanchai, Hong Kong SAR of the PRC

COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ding Wuhao（丁伍號）
Ding Huihuang（丁輝煌）*(Chairman)*
Ding Huirong（丁輝榮）
Wang Jiabi（王加碧）

Independent Non-executive Directors

Li Yuen Fai Roger（李苑輝）
(resignation effective from 4 August 2020)
Wu Ming Wai Louie（胡明偉）
(appointed on 4 August 2020)
Hon Ping Cho Terence（韓炳祖）
Chen Chuang（陳闖）

BOARD COMMITTEES

Audit Committee

Wu Ming Wai Louie（胡明偉）
(Chairman) (appointed as chairman and member on 4 August 2020)
Li Yuen Fai Roger（李苑輝）
(Chairman) (resignation as the chairman and member effective from 4 August 2020)
Hon Ping Cho Terence（韓炳祖）
Chen Chuang（陳闖）

Remuneration Committee

Chen Chuang（陳闖）*(Chairman)*
Wang Jiabi（王加碧）
Hon Ping Cho Terence（韓炳祖）

Nomination Committee

Hon Ping Cho Terence（韓炳祖）
(Chairman)
Ding Wuhao（丁伍號）
Li Yuen Fai Roger（李苑輝）
(resignation effective from 4 August, 2020)
Wu Ming Wai Louie（胡明偉）
(appointed on 4 August 2020)

COMPANY SECRETARY

Choi Mun Duen（蔡敏端）
FCCA, HKICPA
(resignation effective from 4 August 2020)
Li Yuen Fai Roger（李苑輝）
FCCA, HKICPA
(appointed on 4 August 2020)

AUTHORISED REPRESENTATIVES

Ding Wuhao（丁伍號）
Choi Mun Duen（蔡敏端）
(resignation effective from 4 August 2020)
Li Yuen Fai Roger（李苑輝）
(appointed on 4 August 2020)

HEAD OFFICE IN THE PRC

361° Building
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She Ma Lu
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Fujian Province 362261
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cayman Islands

AUDITOR

Moore Stephens CPA Limited

LEGAL ADVISERS

As to Cayman Islands law:

Conyers Dill & Pearman

As to Hong Kong law:

Chiu & Partners

PRINCIPAL BANKERS

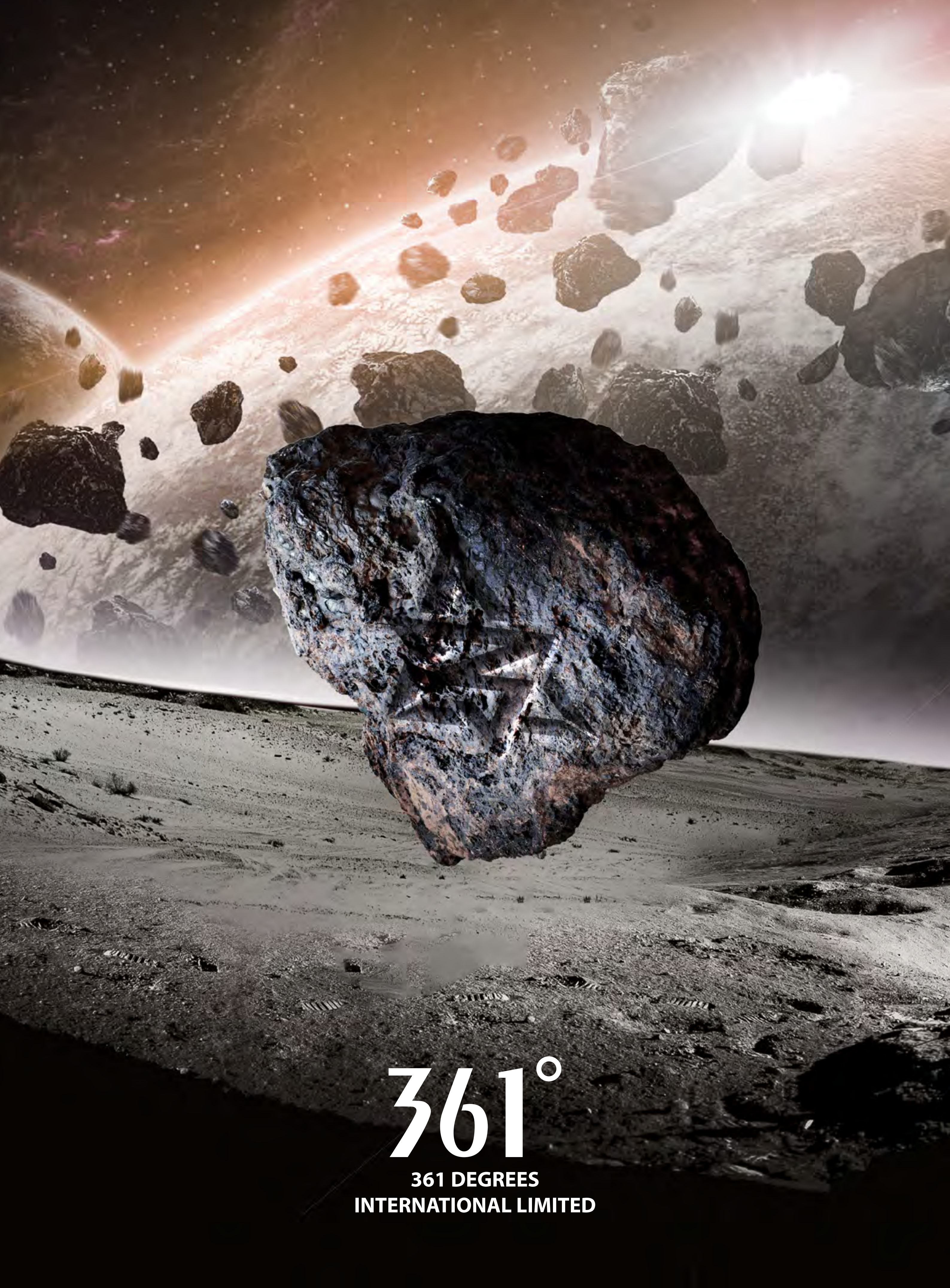
China Construction Bank Corporation
China Citic Bank International Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China

COMPANY WEBSITE

www.361sport.com

STOCK CODE

01361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INTERNATIONAL LIMITED