

INTERIM REPORT
2016



POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 3813)



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu, Pan-Tsu⁶ (Chairman) (appointed as the chairman of the Board and Nomination Committee with effect from the conclusion of a Board meeting held on August 12, 2016)

Kwan, Heh-Der (Chief Executive Officer)

Non-executive Directors

Tsai David, Nai Fung⁶ (Chairman) (resigned and ceased to be the chairman of the Board and Nomination Committee with effect from the conclusion of a Board meeting held on August 12, 2016)

Tsai Patty, Pei Chun¹

Li I-nan³

Independent Non-executive Directors

Chen, Huan-Chung^{2,3,5}

Hsieh, Wuei-Jung⁴

Shan Xue^{1,5}

Notes:

- ¹ Member of Audit Committee
- ² Chairman of Audit Committee
- ³ Member of Remuneration Committee
- ⁴ Chairman of Remuneration Committee
- ⁵ Member of Nomination Committee
- ⁶ Chairman of Nomination Committee

AUTHORIZED REPRESENTATIVES

Tsai Patty, Pei Chun

Chong Yim Kuen

COMPANY SECRETARY

Chong Yim Kuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SOLICITOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

ANZ Bank (Taiwan) Limited
Bank of America, N.A.
Citibank Taiwan Limited
CTBC Bank Co., Limited
Hang Seng Bank (China) Limited
HSBC Bank (China) Company Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (Taiwan) Limited
Taipei Fubon Commercial Bank Co., Limited

WEBSITE ADDRESS

www.pousheng.com

STOCK CODE

3813



THE GROUP'S FINANCIAL HIGHLIGHTS

For the six months ended June 30

	2016	2015	Percentage increase
Revenue (RMB'000)	8,312,889	7,401,725	12.3%
Operating profit (RMB'000)	583,972	343,830	69.8%
Profit attributable to owners of the Company (RMB'000)	384,919	164,124	134.5%
Basic earnings per share (RMB cents)	7.36	3.07	139.7%
Dividend per share – Interim dividend (HK\$)	0.02	-	N/A



INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2016 with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2016

	NOTES	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	2015 US\$'000 (unaudited)
Revenue	3	8,312,889	7,401,725	1,268,388	1,187,201
Cost of sales		(5,354,052)	(5,021,197)	(816,926)	(805,376)
Gross profit		2,958,837	2,380,528	451,462	381,825
Other operating income and gains (losses)		108,775	47,181	16,597	7,568
Selling and distribution expenses		(2,169,437)	(1,820,817)	(331,015)	(292,050)
Administrative expenses		(314,203)	(263,062)	(47,941)	(42,194)
Operating profit		583,972	343,830	89,103	55,149
Finance costs		(28,904)	(26,982)	(4,411)	(4,328)
Finance income		6,643	8,180	1,014	1,312
Finance costs - net		(22,261)	(18,802)	(3,397)	(3,016)
Share of results of an associate		(7,225)	81	(1,102)	13
Share of results of joint ventures		892	(1,841)	136	(295)
Other gains (losses)		14,923	(52,976)	2,277	(8,497)
Profit before taxation		570,301	270,292	87,017	43,354
Income tax expense	4	(174,091)	(91,319)	(26,563)	(14,647)
Profit for the period	5	396,210	178,973	60,454	28,707
Attributable to:					
Owners of the Company		384,919	164,124	58,731	26,325
Non-controlling interests		11,291	14,849	1,723	2,382
		396,210	178,973	60,454	28,707
Earnings per share	7				
- Basic		RMB7.36 cents	RMB3.07 cents	US1.12 cents	US0.49 cent
- Diluted		RMB7.30 cents	RMB3.06 cents	US1.11 cents	US0.49 cent

INTERIM RESULTS



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2016

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	2015 US\$'000 (unaudited)
Profit for the period	396,210	178,973	60,454	28,707
Other comprehensive income (expense) <i>An item that will not be reclassified subsequently to profit or loss</i>				
Exchange difference arising on translation to presentation currency	-	-	(11,283)	1,481
<i>An item that may be reclassified subsequently to profit or loss</i>				
Exchange difference arising on translation of foreign operations	868	929	-	-
Total comprehensive income for the period	397,078	179,902	49,171	30,188
Attributable to:				
Owners of the Company	385,730	164,985	47,545	27,765
Non-controlling interests	11,348	14,917	1,626	2,423
	397,078	179,902	49,171	30,188

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016

		At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)	At June 30, 2016 US\$'000 (unaudited)	At December 31, 2015 US\$'000 (audited)
	NOTES			(FOR INFORMATION PURPOSE ONLY)	
Non-current assets					
Property, plant and equipment	8	731,243	702,093	109,905	106,764
Deposit paid for acquisition of property, plant and equipment		19,830	8,957	2,981	1,362
Prepaid lease payments		138,306	140,327	20,787	21,339
Rental deposits and prepayments		118,956	113,813	17,879	17,307
Intangible assets		636,020	657,401	95,593	99,968
Goodwill		536,210	536,210	80,592	82,977
Interest in an associate		-	10,411	-	1,451
Interests in joint ventures		57,375	67,061	8,623	10,035
Loans to joint ventures		47,500	47,500	7,139	7,223
Available-for-sale investment		-	-	-	-
Deferred tax assets		-	428	-	65
		2,285,440	2,284,201	343,499	348,491
Current assets					
Inventories		3,841,879	3,910,362	577,431	594,633
Trade and other receivables	9	2,691,394	2,057,530	404,515	312,880
Taxation recoverable		4,748	7,248	714	1,102
Derivative financial instrument	13	380	-	58	-
Pledged bank deposits		-	5,997	-	912
Bank balances and cash		283,544	284,132	42,616	43,207
		6,821,945	6,265,269	1,025,334	952,734
Assets classified as held for sale	10	13,185	-	1,982	-
		6,835,130	6,265,269	1,027,316	952,734

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At June 30, 2016

		At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)	At June 30, 2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	At December 31, 2015 US\$'000 (audited)
	NOTES				
Current liabilities					
Trade and other payables	11	1,870,853	2,028,839	281,189	309,196
Taxation payable		82,202	42,582	12,355	6,475
Bank overdrafts		-	100,230	-	15,242
Bank borrowings		830,656	361,685	124,847	55,000
Consideration payable for acquisition of business	13	59,730	74,301	8,977	11,299
		2,843,441	2,607,637	427,368	397,212
Net current assets		3,991,689	3,657,632	599,948	555,522
Total assets less current liabilities		6,277,129	5,941,833	943,447	904,013
Non-current liability					
Deferred tax liabilities		177,976	183,310	26,750	27,875
Net assets		6,099,153	5,758,523	916,697	876,138
Capital and reserves					
Share capital		46,476	46,877	6,849	6,910
Reserves		5,995,973	5,666,290	901,325	862,331
Equity attributable to owners of the Company		6,042,449	5,713,167	908,174	869,241
Non-controlling interests		56,704	45,356	8,523	6,897
Total equity		6,099,153	5,758,523	916,697	876,138

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016

	Equity attributable to owners of the Company													Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Other reserve	Revaluation reserve	Shares held for share award scheme	Share award reserve	Share-based compensation reserve	Non-distributable reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2015 (audited)	46,873	5,187,992	676,506	(1,445,655)	55,395	(7,304)	508	34,657	259,502	(19,941)	584,087	5,372,620	89,125	5,461,745	
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	861	-	861	68	929	
Profit for the period	-	-	-	-	-	-	-	-	-	-	164,124	164,124	14,849	178,973	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	861	164,124	164,985	14,917	179,902	
Purchase of shares under share award scheme	-	-	-	-	-	(10,136)	-	-	-	-	-	(10,136)	-	(10,136)	
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	837	84	-	-	-	921	-	921	
Transfer	-	-	-	-	-	-	-	-	31,944	-	(31,944)	-	-	-	
At June 30, 2015 (unaudited)	46,873	5,187,992	676,506	(1,445,655)	55,395	(17,440)	1,345	34,741	291,446	(19,080)	716,267	5,528,390	104,042	5,632,432	
At January 1, 2016 (audited)	46,877	5,188,728	676,506	(1,445,655)	55,395	(76,411)	3,002	34,508	302,438	(18,995)	946,774	5,713,167	45,356	5,758,523	
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	811	-	811	57	868	
Profit for the period	-	-	-	-	-	-	-	-	-	-	384,919	384,919	11,291	396,210	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	811	384,919	385,730	11,348	397,078	
Repurchase of own shares	(453)	(64,780)	-	-	-	-	-	-	-	-	-	(65,233)	-	(65,233)	
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	2,147	(75)	-	-	-	2,072	-	2,072	
Exercise of share options	52	10,205	-	-	-	-	-	(3,544)	-	-	-	6,713	-	6,713	
Transfer	-	-	-	-	-	-	-	-	28,662	-	(28,662)	-	-	-	
At June 30, 2016 (unaudited)	46,476	5,134,153	676,506	(1,445,655)	55,395	(76,411)	5,149	30,889	331,100	(18,184)	1,303,031	6,042,449	56,704	6,099,153	

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2016

(FOR INFORMATION PURPOSE ONLY)

	Equity attributable to owners of the Company													Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Other reserve	Revaluation reserve	Shares held for share award scheme	Share award reserve	Share-based compensation reserve	Non-distributable reserve	Translation reserve	Accumulated profits	Total			
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
At January 1, 2015 (audited)	6,909	758,792	96,269	(211,527)	8,108	(1,168)	82	5,219	38,878	97,392	61,752	860,706	14,564	875,270	
Exchange difference arising on translation of financial statements	-	-	-	-	-	-	-	-	-	1,440	-	1,440	41	1,481	
Profit for the period	-	-	-	-	-	-	-	-	-	-	26,325	26,325	2,382	28,707	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	1,440	26,325	27,765	2,423	30,188	
Purchase of shares under share award scheme	-	-	-	-	-	(1,633)	-	-	-	-	-	(1,633)	-	(1,633)	
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	134	13	-	-	-	147	-	147	
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	20	(20)	-	-	-	
Transfer	-	-	-	-	-	-	-	-	5,147	-	(5,147)	-	-	-	
At June 30, 2015 (unaudited)	6,909	758,792	96,269	(211,527)	8,108	(2,801)	216	5,232	44,025	98,852	82,910	886,985	16,987	903,972	
At January 1, 2016 (audited)	6,910	758,906	96,269	(211,527)	8,108	(12,031)	479	5,195	44,150	51,041	121,741	869,241	6,897	876,138	
Exchange difference arising on translation of financial statements	-	-	-	-	-	-	-	-	-	(11,186)	-	(11,186)	(97)	(11,283)	
Profit for the period	-	-	-	-	-	-	-	-	-	-	58,731	58,731	1,723	60,454	
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	(11,186)	58,731	47,545	1,626	49,171	
Repurchase of own shares	(69)	(9,884)	-	-	-	-	-	-	-	-	-	(9,953)	-	(9,953)	
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	328	(11)	-	-	-	317	-	317	
Exercise of share options	8	1,557	-	-	-	-	-	(541)	-	-	-	1,024	-	1,024	
Transfer	-	-	-	-	-	-	-	-	5,924	-	(5,924)	-	-	-	
At June 30, 2016 (unaudited)	6,849	750,579	96,269	(211,527)	8,108	(12,031)	807	4,643	50,074	39,855	174,548	908,174	8,523	916,697	



INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2016

notes:

- (i) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in 2008.
- (ii) The other reserve represents the difference between the fair value of the consideration paid or received and the relevant share of carrying value of the subsidiaries' net assets acquired from or disposed of to the non-controlling interests.
- (iii) The revaluation reserve represents the fair value adjustments on intangible assets attributable to the equity interest previously held by the Group at the date of acquisition of subsidiaries. The amount recognised in the revaluation reserve will be transferred to accumulated profits upon disposal of these subsidiaries or the relevant assets, whichever is earlier.
- (iv) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Company established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2016

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	2015 US\$'000 (unaudited)
Net cash (used in) from operating activities	(159,821)	635,755	(23,957)	101,463
Net cash used in investing activities				
Purchase of property, plant and equipment	(121,852)	(86,852)	(18,597)	(13,925)
Advance to a non-controlling interest of a subsidiary	(50,000)	-	(7,515)	-
Deposit paid for acquisition of property, plant and equipment	(19,830)	(19,160)	(3,016)	(3,088)
Repayment of advance to a non-controlling interest of a subsidiary	40,000	-	6,012	-
Repayment of advance to a joint venture	10,034	3,997	1,531	644
Interest received	6,643	8,180	1,014	1,312
Release of pledged bank deposits	5,997	-	912	-
Proceeds from disposal of property, plant and equipment	1,718	7,044	262	1,130
Deposit received for an asset held for sale	1,500	-	229	-
	(125,790)	(86,791)	(19,168)	(13,927)
Net cash from (used in) financing activities				
Repayment of bank borrowings	(1,206,175)	(1,616,138)	(184,039)	(260,386)
Repayment of advance from related and connected parties	(961,672)	-	(146,728)	-
Shares repurchased	(65,233)	-	(9,953)	-
Interest paid	(28,904)	(26,982)	(4,411)	(4,328)
Bank borrowings raised	1,673,868	1,276,315	255,400	205,635
Advance from related and connected parties	959,676	290,000	146,428	46,724
Other financing cash flows	6,713	(10,136)	1,024	(1,633)
	378,273	(86,941)	57,721	(13,988)
Net increase in cash and cash equivalents	92,662	462,023	14,596	73,548
Effect of foreign exchange rate changes	6,980	(3,267)	55	431
Cash and cash equivalents at beginning of the period	183,902	271,907	27,965	43,743
Cash and cash equivalents at end of the period, represented by bank balances and cash	283,544	730,663	42,616	117,722



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The Company's functional currency is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial years was United States Dollars ("USD"). Starting from January 1, 2016, the Group has changed its presentation currency for the preparation of its condensed consolidated interim financial information from USD to RMB in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are conducted in the PRC with substantially all of its transactions denominated and settled in RMB. The Directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. The presentation of USD amounts in these condensed consolidated interim financial information is for information purpose only.

For the purpose of presenting the condensed consolidated interim financial information of the Group in RMB, the assets and liabilities for the condensed consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the condensed consolidated income statement are translated at the average exchange rates for the month of the transactions, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. The share capital, and the share premium and reserves are translated at the exchange rate at the date when the amount was determined (i.e. the rate at the date of transaction for an item measured in terms of the historical cost). The non-controlling interests for the condensed consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2015, as described therein.

Adoption of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") effective in the current period

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The adoption of the amendments to HKFRSs has had no material effect on the amounts reported or disclosures set out in this condensed consolidated interim financial information.

3. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales. Information is reported on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of resources allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

3. REVENUE AND SEGMENTAL INFORMATION (continued)

Revenue from major business products

The following is an analysis of the Group's revenue from its major business products:

For the six months ended June 30,

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	2015 US\$'000 (unaudited)
Sales of sportswear and footwear products	8,256,273	7,346,904	1,259,750	1,178,408
Commissions from concessionaire sales	56,616	54,821	8,638	8,793
	8,312,889	7,401,725	1,268,388	1,187,201

4. INCOME TAX EXPENSE

For the six months ended June 30,

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	2015 US\$'000 (unaudited)
Taxation attributable to the Company and its subsidiaries:				
Current tax:				
Hong Kong Profits Tax (note i)	-	-	-	-
PRC Enterprise Income Tax ("EIT") (note ii)	178,806	90,421	27,282	14,503
Overseas income tax (note iii)	215	1,116	33	179
	179,021	91,537	27,315	14,682
Deferred tax credit	(4,930)	(218)	(752)	(35)
	174,091	91,319	26,563	14,647

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4. INCOME TAX EXPENSE (continued)

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax had been made as relevant subsidiaries had no assessable profit for both periods.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC, except as follows:

Pursuant to 《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) and the Bulletin of the State Administration of Taxation [2012] No. 12 issued in 2011 and 2012, during the period from January 1, 2011 to December 31, 2020, any enterprise that is located in the Western Regions and engaged in the industrial activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the revenue in the current period accounts for more than 70% of its total revenue shall pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company are located in the specified provinces of Western Regions and engaged in the industrial activities under the New Catalogue. The Directors of the Company consider that the relevant subsidiaries are eligible for the preferential tax rate of 15% in both periods.

(iii) Overseas

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

5. PROFIT FOR THE PERIOD

For the six months ended June 30,

	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2016 US\$'000 (unaudited) <small>(FOR INFORMATION PURPOSE ONLY)</small>	2015 US\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):				
Total staff cost (included in selling and distribution expenses and administrative expenses)	812,567	671,880	123,982	107,770
Operating lease rentals and concessionaire fees in respect of shopping malls/retail outlets (included in selling and distribution expenses)	1,062,985	890,588	162,191	142,846
Depreciation of property, plant and equipment	95,399	90,313	14,556	14,486
Reversal of allowance for inventories, net	(26,078)	(48,147)	(3,979)	(7,723)
Release of prepaid lease payments	2,022	2,022	308	324
Amortisation of intangible assets (included in selling and distribution expenses)	21,516	24,570	3,283	3,941
Net exchange gain (included in other operating income and gains (losses))	(5,771)	(2,575)	(880)	(413)
Subsidies, rebates and other income from suppliers (included in other operating income and gains (losses))	(59,934)	(46,122)	(9,145)	(7,398)
Impairment loss recognised on trade receivables (included in other operating income and gains (losses))	6,321	25,143	964	4,033
(Reversal of impairment loss) impairment loss recognised on other receivables (included in other operating income and gains (losses))	(993)	9,911	(152)	1,590
Impairment losses on loans to joint ventures (included in other gains (losses))	-	40,950	-	6,568
Impairment losses on interest in a joint venture	579	-	88	-
Fair value gain on consideration payable for acquisition of business (included in other gains (losses))	(15,122)	(3,974)	(2,307)	(637)
Impairment loss on consideration receivable for disposal of properties (included in other gains (losses))	-	16,000	-	2,566
Fair value gain on derivative financial instrument (included in other gains (losses))	(380)	-	(58)	-

INTERIM RESULTS



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

6. DIVIDEND

No dividends were paid or declared during the interim period.

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of HK\$0.02 per share (six months ended June 30, 2015: nil) will be paid to the shareholders of the Company (the "Shareholders") whose names appear in the register of members of the Company (the "Register of Members") on September 20, 2016.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

For the six months ended June 30,

	<i>2016</i> <i>RMB'000</i> <i>(unaudited)</i>	<i>2015</i> <i>RMB'000</i> <i>(unaudited)</i>	<i>2016</i> <i>US\$'000</i> <i>(unaudited)</i> <i>(FOR INFORMATION</i> <i>PURPOSE ONLY)</i>	<i>2015</i> <i>US\$'000</i> <i>(unaudited)</i>
Earnings:				
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	384,919	164,124	58,731	26,325

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

7. EARNINGS PER SHARE (continued)

For the six months ended June 30,

	2016 (unaudited)	2015 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,233,364,225	5,350,676,571
Effect of dilutive potential ordinary shares:		
– Share options	11,923,112	–
– Unvested awarded shares	29,823,797	15,579,492
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,275,111,134	5,366,256,063

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company (see Note 12(b)).

The computation of diluted earnings per share for the six months ended June 30, 2015 did not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during that period.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB130,809,000 (approximately US\$19,959,000) (six months ended June 30, 2015: RMB98,507,000 (approximately US\$15,800,000)).

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

9. TRADE AND OTHER RECEIVABLES

	<i>At June 30, 2016 RMB'000 (unaudited)</i>	<i>At December 31, 2015 RMB'000 (audited)</i>	<i>At June 30, 2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)</i>	<i>At December 31, 2015 US\$'000 (audited)</i>
Trade receivables	1,691,711	1,161,869	254,262	176,681
Deposits, prepayments and other receivables	999,683	895,661	150,253	136,199
	2,691,394	2,057,530	404,515	312,880
Deposits, prepayments and other receivables represent:				
Rental deposits and prepaid rentals	187,104	160,625	28,122	24,426
Prepayments paid to suppliers	354,287	226,930	53,249	34,508
Value-added tax recoverable	168,755	242,083	25,364	36,813
Amounts due from related parties (note)	60,988	60,913	9,166	9,263
Other prepaid expenses	63,443	63,512	9,535	9,658
Prepaid lease payments - current	4,043	4,043	608	615
Secured loan receivable	50,000	50,000	7,515	7,603
Other deposits and receivables	111,063	87,555	16,694	13,313
	999,683	895,661	150,253	136,199



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

9. TRADE AND OTHER RECEIVABLES (continued)

note: The amounts represent amounts due from an associate and certain joint ventures of RMB30,640,000 (approximately US\$4,605,000) (December 31, 2015: RMB40,668,000 (approximately US\$6,184,000)), a non-controlling interest of a subsidiary of RMB30,000,000 (approximately US\$4,509,000) (December 31, 2015: RMB20,000,000 (approximately US\$3,041,000)) and certain entities controlled by Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") and its substantial shareholders of RMB348,000 (approximately US\$52,000) (December 31, 2015: RMB245,000 (approximately US\$38,000)), and are unsecured and expected to be recovered within one year. Except for the amounts of (a) RMB18,432,000 (approximately US\$2,770,000) (December 31, 2015: RMB28,466,000 (approximately US\$4,329,000)) due from a joint venture which carries variable interest rate ranging from 5% to 6.72% (December 31, 2015: ranging from 5% to 6.72%) per annum and (b) RMB30,000,000 (approximately US\$4,509,000) (December 31, 2015: RMB20,000,000 (approximately US\$3,041,000)) due from a non-controlling interest of a subsidiary which carries fixed interest rate of 6.09% (December 31, 2015: 6.09%) per annum, the remaining balance is interest-free.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

9. TRADE AND OTHER RECEIVABLES (continued)

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	<i>At June 30, 2016 RMB'000 (unaudited)</i>	<i>At December 31, 2015 RMB'000 (audited)</i>	<i>At June 30, 2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)</i>	<i>At December 31, 2015 US\$'000 (audited)</i>
0 - 30 days	1,259,826	881,879	189,351	134,104
31 - 90 days	385,230	211,679	57,899	32,189
Over 90 days	46,655	68,311	7,012	10,388
	1,691,711	1,161,869	254,262	176,681

10. ASSETS CLASSIFIED AS HELD FOR SALE

	<i>At June 30, 2016 RMB'000 (unaudited)</i>	<i>At December 31, 2015 RMB'000 (audited)</i>	<i>At June 30, 2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)</i>	<i>At December 31, 2015 US\$'000 (audited)</i>
Class of assets of the disposal groups are as follows:				
Interest in an associate (note i)	3,185	-	479	-
Interest in a joint venture (note ii)	10,000	-	1,503	-
	13,185	-	1,982	-



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

10. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

notes:

- (i) On April 5, 2016, the Group entered into a disposal agreement with the partners of an associate, pursuant to which the Group agreed to dispose of its investment in the associate (the "Disposal"). Therefore, the interest in the associate, which is expected to be sold within twelve months from the end of the reporting period, has been classified as an asset held for sale and is presented separately in the condensed consolidated statement of financial position.

A deposit of RMB1,882,000 (approximately US\$283,000) in relation to the Disposal has been received by the Group after the end of the reporting period. The net proceeds of the Disposal are expected to exceed the carrying amount of the relevant asset, and accordingly, no impairment loss has been recognised.

At the date of this report, the transaction has not yet been completed.

- (ii) On January 25, 2016, the Group entered into a disposal framework agreement with the joint venture partners of a joint venture, pursuant to which the Group agreed to dispose of its investment in the relevant joint venture (the "JV Disposal"). Therefore, the interest in the joint venture, which is expected to be sold within twelve months from the end of the reporting period, has been classified as an asset held for sale and is presented separately in the condensed consolidated statement of financial position.

A deposit of RMB1,500,000 (approximately US\$229,000) in relation to the JV Disposal has been received by the Group in the current period and the amount is included in trade and other payables in the condensed consolidated statement of financial position. The net proceeds of the JV Disposal are less than the carrying amount of the relevant asset, and accordingly, impairment loss of RMB579,000 (approximately US\$88,000) has been recognised.

At the date of this report, the transaction has not yet been completed.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

11. TRADE AND OTHER PAYABLES

	<i>At June 30, 2016 RMB'000 (unaudited)</i>	<i>At December 31, 2015 RMB'000 (audited)</i>	<i>At At June 30, 2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)</i>	<i>At December 31, 2015 US\$'000 (audited)</i>
Trade payables	429,499	637,464	64,554	96,936
Bills payables	102,539	162,428	15,411	24,700
Receipt in advance from customers	387,439	351,546	58,232	53,458
Amounts due to related and connected parties (note)	294,888	297,664	44,321	45,264
Accruals and other payables	656,488	579,737	98,671	88,838
	1,870,853	2,028,839	281,189	309,196

note: The amounts represent amounts due to non-controlling interests of subsidiaries of RMB2,800,000 (approximately US\$421,000) (December 31, 2015: RMB4,773,000 (approximately US\$726,000)) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB292,088,000 (approximately US\$43,900,000) (December 31, 2015: RMB292,891,000 (approximately US\$44,538,000)) and are unsecured and repayable on demand. Except for the amounts of (a) of RMB290,000,000 (approximately US\$43,587,000) (December 31, 2015: RMB290,000,000 (approximately US\$44,099,000)) due to an entity controlled by Yue Yuen's substantial shareholders which carries fixed interest rate of 3.4% (December 31, 2015: 4%) per annum and (b) RMB2,800,000 (approximately US\$421,000) (December 31, 2015: RMB4,773,000 (approximately US\$726,000)) due to the non-controlling interests of subsidiaries which carried fixed interest rate of 3.1% (December 31, 2015: 3.1%) per annum, the remaining balance is interest-free.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

11. TRADE AND OTHER PAYABLES (continued)

The aged analysis of the Group's trade and bills payables, presented based on the invoice date at the end of the reporting period, is as follows:

	<i>At June 30, 2016 RMB'000 (unaudited)</i>	<i>At December 31, 2015 RMB'000 (audited)</i>	<i>At June 30, 2016 US\$'000 (unaudited)</i>	<i>At December 31, 2015 US\$'000 (audited)</i>
			<i>(FOR INFORMATION PURPOSE ONLY)</i>	
0 - 30 days	484,973	786,102	72,891	119,539
31 - 90 days	38,640	8,412	5,808	1,279
Over 90 days	8,425	5,378	1,266	818
	532,038	799,892	79,965	121,636

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The existing share option scheme was adopted by the Shareholders on May 14, 2008 and amended on March 7, 2012. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
As at January 1,	1.39	54,612,000	1.39	55,012,000
Exercised	1.29	(6,226,000)	N/A	-
Lapsed/cancelled	1.62	(100,000)	N/A	-
As at June 30,	1.40	48,286,000	1.39	55,012,000
Exercisable at the end of the reporting period	1.40	48,286,000	1.39	54,637,000

Share options outstanding at June 30, 2016 and December 31, 2015 have the following expiry dates and exercise prices:

Year of expiry	Exercise price HK\$	Number of share options	
		At June 30, 2016	At December 31, 2015
2018	1.62	21,132,000	22,887,000
2019	1.23	26,779,000	29,850,000
2020	1.05	375,000	1,875,000
		48,286,000	54,612,000

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

(a) Share Option Scheme (continued)

During the six months ended June 30, 2016, the Group recognised a net income of RMB75,000 (approximately US\$11,000) (2015: a net expense of RMB84,000 or US\$13,000) as equity-settled share-based payments in the condensed consolidated income statement under the share option scheme with reference to the share options' respective vesting periods and the share options lapsed prior to their vesting dates after recognising share option expenses.

(b) Share Award Scheme

The share award scheme was approved and adopted by the Board of Directors of the Company on May 9, 2014. Movement in the number of share awards outstanding is as follows:

	Number of share awards	
	2016	2015
As at January 1,	27,738,000	11,500,000
Granted	6,530,000	8,900,000
Lapsed/cancelled	(2,675,000)	(1,492,000)
As at June 30,	31,593,000	18,908,000

The Board of Directors of the Company approved on March 20, 2015, March 23, 2016 and May 12, 2016 to grant an aggregate of 8,900,000, 5,130,000 and 1,400,000 awarded shares respectively to certain employees of the Group and a Director of the Company pursuant to the share award scheme.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

(b) Share Award Scheme (continued)

During the period, the total fair values of the share awards as at the respective dates of grant, determined by APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation") using the Black-Scholes Option Pricing Model, amounted to HK\$7,398,000 (approximately RMB6,244,000 or US\$953,000) (six months ended June 30, 2015: HK\$3,293,000 (approximately RMB2,648,000 or US\$425,000)). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	May 13, 2016	March 24, 2016	March 21, 2015
Closing share price at the date of grant	HK\$2.07	HK\$1.61	HK\$0.55
Annual risk free rate	0.600%	0.845%	0.731%
Expected volatility	57%	54%	50%
Vesting period	2.3 years	3 years	3 years
Expected dividend yield	Nil	Nil	Nil

The closing price of the Company's shares immediately before the grant of the share awards on March 24, 2016 and May 13, 2016 were HK\$1.67 and HK\$2.00 (March 21, 2015: HK\$0.55) per share.

During the six months ended June 30, 2016, the Group recognised a net expense of RMB2,147,000 (approximately US\$328,000) (six months ended June 30, 2015: RMB837,000 or US\$134,000) as equity-settled share-based payments in the condensed consolidated income statement under the share award scheme with reference to the share award's respective vesting period and the share awards lapsed/cancelled prior to their vesting dates after recognising share award expenses.

During the six months ended June 30, 2015, 20,000,000 ordinary shares of the Company have been acquired at an aggregate cost of HK\$12,656,000 (approximately RMB10,136,000 or US\$1,633,000). A total of 100,000,000 ordinary shares of the Company were held by the trustee of the share award scheme of the Company at June 30, 2016 and December 31, 2015.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) **Fair value of financial instruments that are measured at fair value on a recurring basis**

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at				Fair value hierarchy
	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)	June 30, 2016 US\$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	December 31, 2015 US\$'000 (audited)	
Financial asset					
Derivative financial instrument (note i)	380	-	58	-	Level 2
Financial liability					
Consideration payable for acquisition of business (note ii)	59,730	74,301	8,977	11,299	Level 3

notes:

- (i) Derivative financial instrument represents a currency swap. The valuation technique of the currency swap includes Black-Scholes Option Pricing Model. Key inputs to the valuation model includes forward exchange rate (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of the counterparty.

The major terms of the outstanding currency swap contract at the end of the reporting period are as follows:

Notional amount	Maturity date	Contracted swap rate
US\$10,000,000	December 20, 2016	US\$:RMB 1:6.5935

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

notes: (continued)

- (ii) Consideration payable for acquisition of business represents the amount that the Group may have to compensate the vendor for the shortfall, if any, of the market value of the ordinary shares of the Company issued for the acquisition of a business in prior years below HK\$4 each at the expiry of a pre-determined restricted period, until which the shares issued by the Company are placed in an escrow account and the Company's consent is required for any withdrawal. The valuation technique adopted is Binomial Option Pricing Model whereas the key inputs to the valuation model include the share price at date of valuation, risk free rate, expected volatility, expected life of the guaranteed compensation and the expected dividend yield. The significant unobservable inputs in the valuation model include the expected volatility with reference to the historical price volatility and the expected dividend yield of the Company. Both inputs are positively related to the fair value of the consideration payable for acquisition of business. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the consideration payable for acquisition of business would not be significant.

The fair value of the guaranteed compensation as at December 31, 2015 and June 30, 2016 is determined by APAC Asset Valuation using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

	<i>At June 30, 2016</i>	<i>At December 31, 2015</i>
Share price at date of valuation	HK\$2.24	HK\$1.86
Exercise price per share	HK\$4.0	HK\$4.0
Risk free rate	0.2%	0.14%
Expected volatility	36%	63%
Expected life of the guaranteed compensation	0.39 year	0.89 year
Expected dividend yield	Nil	Nil

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(ii) Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 Measurements of the Group's consideration payable for acquisition of business for the six months ended June 30, 2016 and 2015.

	<i>RMB'000</i>	<i>US\$'000</i> <i>(FOR</i> <i>INFORMATION</i> <i>PURPOSE ONLY)</i>
<i>For the six months ended June 30, 2016</i>		
At January 1, 2016 (audited)	74,301	11,299
Fair value gain, recognised in profit or loss	(15,122)	(2,307)
Exchange realignment	551	(15)
At June 30, 2016 (unaudited)	59,730	8,977
<i>For the six months ended June 30, 2015</i>		
At January 1, 2015 (audited)	102,166	16,436
Fair value gain, recognised in profit or loss	(3,974)	(637)
Exchange realignment	(76)	9
At June 30, 2015 (unaudited)	98,116	15,808

(iii) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments in any of the six-month period ended June 30, 2016 or June 30, 2015.

(iv) Fair value of financial instruments that are recorded at amortised cost

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

The Group is dedicated to growing its position as the leader in the distribution of international brand functional footwear and apparel in the PRC.

The Group aims to expand on its reputation as the “go-to” partner for international athletic brands in the PRC, while also developing the versatile omni-channel to offer its customers the optimal shopping experience online and in store. Presently, the Group is a leading distributor of footwear and apparel for international brands that already have strong market positions in the first and second tier cities in the PRC. It is also continuing to develop a multi-brand strategy, leveraging off its success with existing customers to form new partnerships with other new brands that are looking to access the PRC market place.

As at June 30, 2016, the Group had 5,131 directly operated retail outlets and 3,091 sub-distributor operated retail outlets. Within the network of the regional joint ventures, there were 229 directly operated retail outlets and 154 retail sub-distributors.

The Group also has a business unit involved with the brand licensee business. The brand licensee agreements entered into typically grant the Group exclusive rights to design, develop, manufacture, market and distribute; as well as the flexibility to set retail prices for the brand products at the designated locations for specified periods of time. The Group is the brand licensee for Hush Puppies in Taiwan and for PONY in the PRC and Taiwan.

FINANCIAL REVIEW

For the first six months, the Group recorded revenue of RMB8,312.9 million, representing an increase of 12.3% compared with the corresponding period last year. Gross profit was RMB2,958.8 million, an increase of 24.3% against the same period last year. Finally, the profit attributable to owners of the Company in the current period was RMB384.9 million, a 134.5% increase compared with the first half of fiscal year 2015.

REVENUE

Total revenue for the Group increased by 12.3% to RMB8,312.9 million for the six months ended June 30, 2016, as compared with RMB7,401.7 million reported in the same period last year. The increase was contributed by same store sales growth, as well as revenue from newly opened stores.



MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT

Gross profit for the Group amounted to RMB2,958.8 million and the gross profit margin was 35.6%. Both gross profit amount and gross profit margin were higher than the comparable figures achieved in the same period last year. The improved gross profit was due to reduced discounting, increased sales growth and better inventory management.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the period were in aggregate RMB2,483.6 million, representing RMB399.8 million, or 19.2% increase, as compared with the last corresponding period. In terms of percentage, the ratio of expenses to revenue accounted for 29.9%, a bit over the comparative period in 2015 (28.2%) mainly due to increase in staff costs, rental expenses and concession fees.

OPERATING PROFIT

The Group operating profit margin for the period was 7.0%, and operating profit was RMB584.0 million, a substantial improvement compared with the operating profit of RMB343.8 million (4.6%) in the same period last year.

OTHER GAINS (LOSSES) ARISING OTHER THAN OPERATING ACTIVITIES

The Group incurred various gains (losses) from a variety of situations which amounted to net gains of RMB14.9 million in the first six months mainly attributable to the fair value gain on consideration payable for acquisition of business.

PROFIT FOR THE PERIOD

Due to the aforementioned reasons, profit for the Group for the six months ended June 30, 2016 was RMB396.2 million, a substantial increase over the RMB179.0 million recorded in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS



WORKING CAPITAL EFFICIENCY

The average inventory turnover period for the period was 132 days (2015: 142 days). The reduction in inventory turnover period was due to the change of business strategy to enable lower inventory purchases and implementation of approaches to maintain lower average inventory levels. The Group continues to explore different strategies for managing inventory so as to optimize working capital levels. The average trade receivables turnover period was 31 days (2015: 27 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period was 23 days (2015: 24 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2016, the Group's cash and cash equivalents were RMB283.5 million (December 31, 2015: RMB284.1 million) and working capital (current assets minus current liabilities) was RMB3,991.7 million (December 31, 2015: RMB3,657.6 million). Total bank borrowings of RMB830.7 million (December 31, 2015: RMB461.9 million) and are repayable within one year. The Group's current ratio was 240% (December 31, 2015: 240%). The gearing ratio (total interest bearing loans to total equity) was 18% (December 31, 2015: 13%).

During the period, net cash used in operating activities was RMB159.8 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was RMB125.8 million, of which RMB121.9 million was used to purchase of property, plant and equipment. Net cash from financing activities was RMB378.3 million. During the period, the Group raised and repaid bank borrowings of RMB1,673.9 million and RMB1,206.2 million respectively.

CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of payments and deposits for purchase of furniture, fixtures and equipment and leasehold improvement. During the period under review, the total capital expenditure was RMB141.7 million (2015: RMB106 million). As at June 30, 2016, the Group had no material capital commitments and contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE

The Group conducted its business primarily in the PRC with substantially all of its transactions denominated and settled in RMB. As at June 30, 2016, the Group had no significant hedge for the foreign exchange exposure. However, the exchange rate of RMB against foreign currencies may be volatile, and the Group may enter into forward contracts, currency swaps or options to hedge against the currency risk arising from foreign currency transactions when necessary.

HUMAN RESOURCES

As at June 30, 2016, the Group had a total of approximately 26,900 employees. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers awarded shares and/or share options to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

BUSINESS MODEL

The Group continues to pursue its goal of becoming a leading retailer in the sportswear industry and to be the best partner of international athletic brands in the PRC. The Group is a leading distributor of international brand athletic apparel and footwear in the top tier cities, reaching out to consumers either by selling to them through directly owned stores, or by wholesaling products to sub-franchisees through their stores that sell athletic apparel and footwear to consumers.

We work closely with these brands to

- (1) improve their understanding of the changing tastes of consumers in the PRC, which the brands then use to develop more effective marketing campaigns;
- (2) help them make appropriate estimates of the sell-through capacity for the market and to allow for better management of inventories.

MANAGEMENT DISCUSSION AND ANALYSIS



The size of our operations makes us one of the key national retailers for a number of international brands, such as Nike and Adidas. To maintain this advantage, we will continue to closely observe consumer behavior in the PRC, making sure we understand their evolving levels of sophistication and desires.

As well as constantly assessing our portfolio to ensure we have the best mix of brands, we have also

- (1) expanded our capabilities to distribute outdoor performance branded apparel and footwear;
- (2) been preparing to launch a new multi-brand store format for selected stores to capture consumer spending in a more effective manner; and
- (3) established e-commerce platforms to facilitate online and offline connections with consumers.

Our store formats include mono-brand stores, multi-brand stores, sports cities, outlets, and online stores.

In addition, our brand licensee business (other than sports brands), will continue to pursue opportunities to participate in the outdoor leisure brand business, aiming to benefit from market trends, enrich our business portfolio and develop another avenue for sales growth.

We continue to explore collaboration opportunities with foreign brands that

- (a) allow for development of brand strength;
- (b) offer a broad product range; and
- (c) provide sufficient flexibility to create suitably designed products that satisfy the consumers' specific needs in the PRC market.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS

In the first half of 2016, overall retail consumption in the PRC slowed, with weak growth in retail sales and GDP growth dropping to 6.7%, along with the continued depreciation of RMB and unstable weather conditions. These factors resulted in poor physical retail sales performance. However, the health and leisure industry has become a driver for stimulating domestic consumption and new economic growth momentum, thanks to strong, supportive government policies, and increased public awareness of healthy lifestyle. The result is increased product demand for sportswear and sustained growth in the total size of sportswear consumption.

With global large sports events such as the European Cup and the Olympics taking place in 2016, an increasing number of marathon activities in the PRC and the growing consumer awareness of the importance of personal fitness, consumers in the PRC will be more motivated to purchase functional and leisure concept sportswear. These sports events are expected to bring about a new cycle of sales growth for the sportswear industry.

The State Council has issued its 13th Five Year Plan, the strategic blueprint outlining its vision for the nation's fitness and the development of the sports industry. The Council will provide unwavering support to the sports and health industry and expects that by 2020, the industry will have a value in excess of RMB1.5 trillion (equivalent to US\$230 billion). Major international athletic and performance brands continue to be active in developing the opportunities in the PRC. These performance brands have also dedicated resources and staff to study and understand the nature of the PRC market.

The Group continues to grow in the first half of 2016, despite weaker summer consumption and unstable weather conditions. Looking to the second half of the year, the Group will endeavor to strengthen its cooperation with existing brands, enhance the consumer experience, provide omni-channel services, and introduce new distribution brands such as GEOX, Rockport, and children's wear. The Group has been investing in the e-commerce channel as one of its future core development strategies, especially on mobile devices, to provide a complete service platform to meet the consumers' diverse needs of sports, leisure, and health. In addition, the Group continues to optimize logistics network and IT management, promoting the process, operational and retail standardization system. These initiatives are expected to improve the Group's overall operational efficiency and profitability, creating satisfaction and maximizing benefits for our customers, partners, employees and shareholders.

OTHER INFORMATION



INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.02 per share for the six months ended June 30, 2016 to the Shareholders whose names appear on the Register of Members on Tuesday, September 20, 2016. The interim dividend will be paid on Monday, October 3, 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, September 15, 2016 to Tuesday, September 20, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration of no later than 4:30 p.m. on Wednesday, September 14, 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at June 30, 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such positions of the SFO; or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) 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") contained in the Listing Rules, were as follows:

OTHER INFORMATION

Long Position in the ordinary shares of the Company (the "Shares")

Name of Directors/ chief executive	Capacity	Number of Shares				Total	Percentage of the issued Shares
		Personal Interest	Family Interest	Corporate Interest	Other Interest		
Tsai David, Nai Fung ¹	Beneficial Owner	6,041,250	-	-	-	6,041,250	0.11%
Tsai Patty, Pei Chun	Beneficial Owner	19,523,000	-	-	-	19,523,000	0.37%
Kwan, Heh-Der	Beneficial Owner	5,100,000 ²	-	-	-	5,100,000	0.10%

Notes:

- ¹ Mr. Tsai David, Nai Fung resigned as a non-executive Director with effect from the conclusion of a Board meeting held on August 12, 2016.
- ² Included interests in 2,600,000 awarded shares granted to Mr. Kwan, Heh-Der pursuant to a share award scheme of the Company, which are subject to certain vesting conditions, remained unvested. Details of the awarded shares are stipulated in the section "Share Award Scheme" in this interim report.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at June 30, 2016 any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under Section 352 of the SFO, or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION



SHARE OPTION SCHEME

The Company recognises the importance of offering incentives and rewards through the grant of share-based incentive mechanism for attracting talents and retaining employees. The Company believes that this will align their interests with that of the Company.

The existing share option scheme (the "Share Option Scheme") was adopted by the Shareholders on May 14, 2008 and amended on March 7, 2012. The Share Option Scheme is valid and effective for a period of ten years commencing on May 14, 2008, after which no further share options may be offered or granted.

Pursuant to the terms of the Share Option Scheme, the total number of Shares which may be issued upon exercise of all share options to be granted shall not exceed 10% of the total number of the issued Shares as at the date on which dealings in the shares of the Company first commence on the Stock Exchange (i.e. June 6, 2008) (being 355,000,000 Shares).


As at the date of this Report, the total number of Shares available for issue under the Share Option Scheme is 294,531,000 Shares, representing approximately 5.52% of the total number of issued Shares. As at June 30, 2016, an aggregate of 48,286,000 Shares are issuable for share options granted under the Share Option Scheme, representing approximately 0.91% of the total number of issued Shares.

OTHER INFORMATION

Pursuant to the Share Option Scheme, movements in share options during the period under review were listed below:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of underlying shares comprised in the share options				
				Balance as at January 1, 2016	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2016
Employees/Consultants								
21.01.2010	1.62	21.01.2010-20.01.2011	21.01.2011-20.01.2018	2,413,950	-	(261,000)	177,000 ¹	2,329,950
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	2,413,950	-	(261,000)	177,000 ¹	2,329,950
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	4,827,900	-	(502,000)	354,000 ¹	4,679,900
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	6,437,200	-	(616,000)	(808,000) ¹	5,013,200
20.01.2011	1.23	20.01.2011-19.01.2012	20.01.2012-19.01.2019	4,500,000	-	(1,008,500)	-	3,491,500
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	4,500,000	-	(662,500)	-	3,837,500
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	4,500,000	-	(637,500)	-	3,862,500
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	4,500,000	-	(637,500)	-	3,862,500
07.03.2012	1.05	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	(375,000)	-	-
		07.03.2012-06.03.2014	07.03.2014-06.03.2020	375,000	-	(375,000)	-	-
		07.03.2012-06.03.2015	07.03.2015-06.03.2020	375,000	-	(375,000)	-	-
		07.03.2012-06.03.2016	07.03.2016-06.03.2020	375,000	-	(375,000)	-	-
Sub-total				35,593,000	-	(6,086,000)	(100,000)	29,407,000

OTHER INFORMATION



Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of underlying shares comprised in the share options				Balance as at June 30, 2016
				Balance as at January 1, 2016	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	
Former Employees								
21.01.2010	1.62	21.01.2010-20.01.2011	21.01.2011-20.01.2018	2,026,500	-	-	-	2,026,500
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	2,026,500	-	-	-	2,026,500
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	1,857,000	-	(15,000)	-	1,842,000
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	884,000	-	-	-	884,000
20.01.2011	1.23	20.01.2011-19.01.2012	20.01.2012-19.01.2019	7,087,500	-	-	-	7,087,500
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	3,462,500	-	(125,000)	-	3,337,500
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	1,000,000	-	-	-	1,000,000
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	300,000	-	-	-	300,000
07.03.2012	1.05	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	-	-	375,000
		07.03.2012-06.03.2014	07.03.2014-06.03.2020	-	-	-	-	-
		07.03.2012-06.03.2015	07.03.2015-06.03.2020	-	-	-	-	-
		07.03.2012-06.03.2016	07.03.2016-06.03.2020	-	-	-	-	-
Sub-total				19,019,000	-	(140,000)	-	18,879,000
Grand total				54,612,000	-	(6,226,000)	(100,000)	48,286,000

Note:

- ¹ Included the reverse of a total of 1,180,000 underlying shares comprised in the share options (which were previously mistakenly treated as lapsed) during the period.

The weighted average closing price of the Shares immediately before the dates on which the share options were exercised is HK\$2.05.

Save as disclosed above, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme during the six months ended June 30, 2016.



OTHER INFORMATION

SHARE AWARD SCHEME

On May 9, 2014, the Company adopted a share award scheme (the "Share Award Scheme") for recognising the contributions by certain persons, including Directors and employees of the Group, providing incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The scheme shall be valid and effective for a term of 10 years commencing on May 9, 2014. Any proposed award must be recommended by the remuneration committee of the Company and approved by the Board.

The total number of shares to be awarded under the Share Award Scheme shall not exceed 2% of the issued share capital of the Company as at the date of grant. The maximum number of shares which may be awarded to a selected participant (including vested and non-vested shares) shall not exceed 1% of the issued share capital of the Company from time to time.

Eligible participant(s) selected by the Board for participation in the Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

OTHER INFORMATION

Pursuant to the Share Award Scheme, movements in share awards during the period were listed below:

	Date of grant	Vesting period	Number of share awards				Balance as at June 30, 2016
			Balance as at January 1, 2016	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	
Director							
Kwan, Heh-Der	01.09.2014	01.09.2014-31.08.2017	1,200,000	-	-	-	1,200,000
	13.05.2016	13.05.2016-30.08.2018	-	1,400,000	-	-	1,400,000
Sub-total			1,200,000	1,400,000	-	-	2,600,000
Employees							
	01.09.2014	01.09.2014-31.08.2017	8,300,000	-	-	(1,200,000)	7,100,000
	21.03.2015	21.03.2015-20.03.2018	8,548,000	-	-	(765,000)	7,783,000
	14.08.2015	14.08.2015-13.08.2018	9,690,000	-	-	(500,000)	9,190,000
	24.03.2016	24.03.2016-23.03.2019	-	5,130,000	-	(210,000)	4,920,000
Sub-total			26,538,000	5,130,000	-	(2,675,000)	28,993,000
Grand total			27,738,000	6,530,000	-	(2,675,000)	31,593,000

The closing prices of the Shares immediately before the grant of the awarded shares on March 24, 2016 and May 13, 2016 are HK\$1.67 and HK\$2.00 respectively.

OTHER INFORMATION

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme and Share Award Scheme disclosed above, at no time during the period was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

As at June 30, 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of certain Directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued Shares:

Name of Shareholders	Notes	Capacity/ Nature of interest	Number of Shares held	Percentage of the issued Shares
Major Focus Management Limited ("Major Focus")	(a)	Beneficial owner	3,295,923,560	61.81%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,295,923,560	61.81%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	3,295,923,560	61.81%
Pou Chen Corporation ("PCC")	(b)	Interest of a controlled corporation	3,295,923,560	61.81%

OTHER INFORMATION



Notes:

All the Shares held are in long positions.

- (a) 3,295,923,560 Shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.
- (b) PCC is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Wealthplus, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Yue Yuen. Wealthplus is wholly-owned by PCC and is interested in more than one third of the issued share capital of Yue Yuen.

Ms. Tsai Patty, Pei Chun, a Director of the Company, is also a director of Yue Yuen, Wealthplus and PCC.

Save as disclosed above, as at June 30, 2016, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2016, the Company repurchased 53,186,000 (six months ended June 30, 2015: Nil) its own shares on the Stock Exchange as follows:

Month of repurchases	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration paid (including direct cost) HK\$
January 2016	53,186,000	1.50	1.37	76,312,700

OTHER INFORMATION

The above repurchased Shares were subsequently cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

The repurchase of the Shares during the six months ended June 30, 2016 was effected by the Board, pursuant to the mandate from Shareholders, with a view to benefiting Shareholders as a whole by enhancing the net asset value and earnings per share of the Company.

Save as disclosed above, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares during the six months ended June 30, 2016.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors after March 23, 2016, the date of the Company's 2015 annual report to the date of this interim report are set out below:

- (a) On June 15, 2016, the tenure of Mr. Chen, Huan-Chung acting as the supervisor of PCC expired.
- (b) On June 15, 2016, Ms. Tsai Patty, Pei Chun was appointed as a director of PCC.
- (c) On June 15, 2016, the tenure of Mr. Tsai David, Nai Fung acting as a director of PCC expired and he also resigned as a director of Wealthplus on the same date.
- (d) On June 27, 2016, Mr. Hsieh, Wuei-Jung resigned as a member of the compensation committee of Motech Industries, Inc.
- (e) Mr. Tsai David, Nai Fung resigned as a non-executive Director of the Company and ceased to act as the Chairman of the Board and chairman of the nomination committee of the Company with effect from the conclusion of a Board meeting held on August 12, 2016.
- (f) Mr. Wu, Pan-Tsu was appointed Chairman of the Board and chairman of the nomination committee of the Company with effect from the conclusion of a Board meeting held on August 12, 2016.

OTHER INFORMATION



REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") has reviewed the interim report and the accounting principles and practices adopted by the Group and in the course have discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial information for the six months ended June 30, 2016 and the interim report.

Deloitte Touche Tohmatsu, certified public accountants, the independent auditor of the Company has reviewed the interim financial information for the six months ended June 30, 2016 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

In view of the requirements in the Listing Rules in relation to the new code provisions on risk management which took effect in 2016, the senior management has conducted reviews on the maintenance of all material controls with internal audit department of the Company to ensure compliance with relevant legislations and regulations. The Board has delegated the Audit Committee with authority and responsibility to oversee the overall management of risks and report the results to the Board. We are in the course of enhancing the risk management system to strengthen our identification, assessment and controls over the risks across the Group's operations.

During the six months ended June 30, 2016, the Company has applied the principles of and has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Following specific enquiry by the Company to all Directors, each of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended June 30, 2016.



OTHER INFORMATION

The Company has also adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines") which are based on the Model Code. The Employees Guidelines are updated from time to time according to the Model Code. Specified employees who are likely to be in possession of unpublished inside information relating to the Group and its activities must comply with the Employees Guidelines.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

DIRECTORS

As at the date of this report, the Directors are:

Executive Directors

Mr. Wu, Pan-Tsu (Chairman) (after conclusion of a Board meeting held on August 12, 2016) and Mr. Kwan, Heh-Der (Chief Executive Officer)

Non-executive Directors

Mr. Tsai David, Nai Fung (Chairman) (before conclusion of a Board meeting held on August 12, 2016), Ms. Tsai Patty, Pei Chun and Mr. Li I-nan

Independent Non-executive Directors

Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue

By Order of the Board

Wu, Pan-Tsu

Chairman

Hong Kong, August 12, 2016

Website: www.pousheng.com