

# SPORTS



2020 INTERIM REPORT  
二零二零年中期報告



**POU SHENG INTERNATIONAL (HOLDINGS) LIMITED**  
**實勝國際(控股)有限公司**  
(Incorporated in Bermuda with limited liability)  
(於百慕達註冊成立之有限公司)  
(Stock Code 股份代號:3813)

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## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive Directors**

Wu, Pan-Tsu (Chairman)  
Lee, Shao-Wu (Chief Executive Officer)

#### **Non-executive Directors**

Tsai Patty, Pei Chun  
Li I-nan

#### **Independent Non-executive Directors**

Chen, Huan-Chung  
Hsieh, Wuei-Jung  
Feng Lei Ming

### **AUDIT COMMITTEE**

Chen, Huan-Chung (Chairman)  
Tsai Patty, Pei Chun  
Feng Lei Ming

### **REMUNERATION COMMITTEE**

Hsieh, Wuei-Jung (Chairman)  
Chen, Huan-Chung  
Li I-nan

### **NOMINATION COMMITTEE**

Wu, Pan-Tsu (Chairman)  
Chen, Huan-Chung  
Feng Lei Ming

### **DISCLOSURE COMMITTEE**

Wu, Pan-Tsu (Chairman)  
Lee, Shao-Wu

### **AUTHORISED REPRESENTATIVES**

Wu, Pan-Tsu  
Fan Kam Wing

### **COMPANY SECRETARY**

Fan Kam Wing

### **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  
Registered Public Interest Entity Auditors

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

MUFG Fund Services (Bermuda) Limited  
4th floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
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**

Australia and New Zealand Banking Group  
Company Limited  
Bank of America, N.A. Shanghai Branch  
Citibank (China) Co., Limited  
Citibank Taiwan Limited  
HSBC Bank (China) Company Limited  
Industrial and Commercial Bank of China Limited  
Mizuho Bank, Limited  
Standard Chartered Bank (China) Limited  
Standard Chartered Bank (Hong Kong) Limited  
Standard Chartered Bank (Taiwan) Limited  
Taishin International Bank Company Limited  
United Overseas Bank Limited

### **WEBSITE**

[www.pousheng.com](http://www.pousheng.com)

### **STOCK CODE**

3813

**THE GROUP'S FINANCIAL HIGHLIGHTS**

<b>Financial performance for the six months ended</b>	<b>30/6/2020</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>30/6/2019</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>Change</b>
Revenue	<b>11,740,200</b>	13,371,614	<b>-12.2%</b>
Gross profit	<b>3,520,136</b>	4,615,952	<b>-23.7%</b>
Operating profit	<b>201,757</b>	774,387	<b>-73.9%</b>
Profit attributable to owners of the Company	<b>12,314</b>	427,435	<b>-97.1%</b>
Gross profit margin (%)	<b>30.0%</b>	34.5%	<b>-4.5 ppt</b>
Operating profit margin (%)	<b>1.7%</b>	5.8%	<b>-4.1 ppt</b>
Basic earnings per share ( <i>RMB cents</i> )	<b>0.23</b>	8.15	<b>-97.2%</b>

<b>Financial position as at</b>	<b>30/6/2020</b> <b>RMB'000</b> <b>(unaudited)</b>	<b>31/12/2019</b> <b>RMB'000</b> <b>(audited)</b>	<b>Change</b>
Inventories	<b>5,166,972</b>	8,021,487	<b>-35.6%</b>
Trade and other receivables	<b>3,665,423</b>	2,993,538	<b>22.4%</b>
Bank balances and cash	<b>1,616,168</b>	613,591	<b>163.4%</b>
Bank and other borrowings	<b>2,742,356</b>	3,545,995	<b>-22.7%</b>



## INTERIM RESULTS

### REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**

德勤

TO THE BOARD OF DIRECTORS OF  
POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際(控股)有限公司

*(Incorporated in Bermuda with limited liability)*

#### Introduction

We have reviewed the condensed consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries set out on pages 6 to 25, which comprise the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **INTERIM RESULTS**

### **REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

#### **Scope of Review**

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

#### **Conclusion**

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

August 13, 2020

## INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") is 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, 2020 with the corresponding comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2020

		For the six months ended June 30,	
	NOTES	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	3	11,740,200	13,371,614
Cost of sales		(8,220,064)	(8,755,662)
Gross profit		3,520,136	4,615,952
Other operating income and gains (losses)		140,794	179,149
Selling and distribution expenses		(3,023,774)	(3,471,467)
Administrative expenses		(435,399)	(549,247)
Operating profit		201,757	774,387
Finance costs	5	(131,028)	(117,062)
Finance income		6,864	4,286
Share of results of joint ventures		(124,164)	(112,776)
Other loss		(9,965)	1,072
		-	(9,987)
Profit before taxation		67,628	652,696
Income tax expense	4	(50,249)	(189,271)
<b>Profit for the period</b>	5	<b>17,379</b>	463,425
Attributable to:			
Owners of the Company		12,314	427,435
Non-controlling interests		5,065	35,990
		<b>17,379</b>	463,425
Earnings per share	7		
- Basic		<b>RMB0.23 cent</b>	RMB8.15 cents
- Diluted		<b>RMB0.23 cent</b>	RMB8.06 cents

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Profit for the period</b>	<b>17,379</b>	463,425
<b>Other comprehensive income</b>		
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	<b>1,245</b>	762
<b>Total comprehensive income for the period</b>	<b>18,624</b>	464,187
Attributable to:		
Owners of the Company	<b>13,635</b>	428,222
Non-controlling interests	<b>4,989</b>	35,965
	<b>18,624</b>	464,187

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2020

	NOTES	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
<b>Non-current assets</b>			
Investment properties		94,700	94,700
Property, plant and equipment	8	1,241,266	1,354,186
Right-of-use assets	8	2,659,602	2,931,822
Deposit paid for acquisition of property, plant and equipment		64,860	87,103
Rental deposits		184,590	178,427
Intangible assets		231,911	283,311
Goodwill		533,633	533,247
Interests in joint ventures		353,450	253,415
Equity instrument at fair value through other comprehensive income		2,404	2,323
Deferred tax assets		14,809	9,313
		<b>5,381,225</b>	<b>5,727,847</b>
<b>Current assets</b>			
Inventories		5,166,972	8,021,487
Trade and other receivables	9	3,665,423	2,993,538
Taxation recoverable		160	5,159
Bank balances and cash		1,616,168	613,591
		<b>10,448,723</b>	<b>11,633,775</b>
Non-current assets classified as held for sale	10	29,160	29,160
		<b>10,477,883</b>	<b>11,662,935</b>

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At June 30, 2020

	NOTES	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
<b>Current liabilities</b>			
Trade and other payables	11	2,447,422	2,660,829
Contract liabilities		189,661	414,969
Taxation payable		195,514	262,256
Bank and other borrowings		2,742,356	3,545,995
Lease liabilities		921,467	889,552
		<b>6,496,420</b>	7,773,601
<b>Net current assets</b>		<b>3,981,463</b>	3,889,334
<b>Total assets less current liabilities</b>		<b>9,362,688</b>	9,617,181
<b>Non-current liabilities</b>			
Deferred tax liabilities		73,063	85,658
Lease liabilities		1,571,491	1,825,445
		<b>1,644,554</b>	1,911,103
<b>Net assets</b>		<b>7,718,134</b>	7,706,078
<b>Capital and reserves</b>			
Share capital	12	46,688	46,685
Reserves		7,572,372	7,565,889
Equity attributable to owners of the Company		<b>7,619,060</b>	7,612,574
Non-controlling interests		99,074	93,504
<b>Total equity</b>		<b>7,718,134</b>	7,706,078

# INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

	Equity attributable to owners of the Company															Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note (i))	Other reserve RMB'000 (note (ii))	Revaluation reserve RMB'000	Merger reserve RMB'000 (note (iii))	Property revaluation reserve RMB'000	Shares held under share award scheme RMB'000	Share award reserve RMB'000	Share-based compensation reserve RMB'000	Non-distributable reserve RMB'000 (note (iv))	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At January 1, 2019 (audited)	46,588	5,156,422	676,506	(1,480,423)	55,395	29,544	6,381	(118,627)	20,744	15,344	544,116	(12,943)	1,928,520	6,867,567	167,970	7,035,537
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	787	-	787	(25)	762
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	427,435	427,435	35,990	463,425
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	787	427,435	428,222	35,965	464,187
Recognition of equity-settled share-based payments, net of amount cancelled relating to share awards	-	-	-	-	-	-	-	-	9,224	946	-	-	-	10,170	-	10,170
Transfer upon lapse of share options	-	-	-	-	-	-	-	-	-	(2,944)	-	-	2,944	-	-	-
Share award vested	-	-	-	-	-	-	3,293	(2,821)	-	-	-	-	(472)	-	-	-
Exercise of share options	97	18,414	-	-	-	-	-	-	-	(6,554)	-	-	-	11,957	-	11,957
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,000)	(14,000)
Capital contribution by a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,000	90,000
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(115,326)	(115,326)	-	-	(115,326)
Transfer	-	-	-	-	-	-	-	-	-	-	42,881	-	(42,881)	-	-	-
At June 30, 2019 (unaudited)	46,685	5,174,836	676,506	(1,480,423)	55,395	29,544	6,381	(115,334)	27,147	6,792	586,997	(12,156)	2,200,220	7,202,590	279,935	7,482,525
At January 1, 2020 (audited)	46,685	5,174,836	676,506	(1,484,758)	55,395	29,544	6,381	(104,494)	24,081	6,869	670,149	(13,313)	2,524,693	7,612,574	93,504	7,706,078
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	1,321	-	1,321	(76)	1,245
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	12,314	12,314	5,065	17,379
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	1,321	12,314	13,635	4,989	18,624
Recognition of equity-settled share-based payments, net of amount cancelled relating to share awards	-	-	-	-	-	-	-	-	561	270	-	-	-	831	-	831
Cancellation of share options	-	-	-	-	-	-	-	-	-	(5,241)	-	-	-	(5,241)	-	(5,241)
Transfer upon lapse of share awards	-	-	-	-	-	-	-	-	(1,144)	-	-	-	-	(1,144)	-	(1,144)
Share award vested	-	-	-	-	-	-	4,579	(4,504)	-	-	-	-	(75)	-	-	-
Exercise of share options	3	506	-	-	-	-	-	-	-	(161)	-	-	-	348	-	348
Acquisition of additional interest of a subsidiary	-	-	-	(1,943)	-	-	-	-	-	-	-	-	-	(1,943)	581	(1,362)
Transfer	-	-	-	-	-	-	-	-	-	-	19,768	-	(19,768)	-	-	-
At June 30, 2020 (unaudited)	46,688	5,175,342	676,506	(1,486,701)	55,395	29,544	6,381	(99,915)	18,994	1,737	689,917	(11,992)	2,517,164	7,619,060	99,074	7,718,134

## **INTERIM RESULTS**

### **CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

*For the six months ended June 30, 2020*

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/liabilities acquired from or disposed of to the non-controlling interests.
- (iii) The merger reserve represents the difference in the fair value of the consideration paid to the Company's intermediate holding company, Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") for the acquisition of subsidiaries controlled by Yue Yuen and the share capital and premium of the acquired subsidiaries.
- (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 profits 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, 2020

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Net cash from operating activities</b>	<b>2,719,431</b>	930,277
<b>Net cash used in investing activities</b>		
Payment for acquisition of property, plant and equipment and an intangible asset/deposits paid for acquisition of property, plant and equipment	(163,298)	(290,654)
Capital injection in a joint venture	(110,000)	-
Advance to a non-controlling interest of a subsidiary	(68,000)	(34,000)
Placement of structured bank deposits	(50,000)	(530,000)
Payments for right-of-use assets	(15,380)	-
Payments for rental deposits	(6,163)	-
Repayment of advance to a non-controlling interest of a subsidiary	68,000	20,000
Redemption of structured bank deposits	50,000	530,000
Proceeds from disposal of property, plant and equipment	8,970	8,727
Interest received	6,864	4,286
Deposits received from disposal of a joint venture	4,500	-
Dividends received from an equity instrument at fair value through other comprehensive income	853	192
Repayment of advance to joint ventures	-	2,936
	<b>(273,654)</b>	(288,513)

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended June 30, 2020

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Net cash used in financing activities</b>		
Repayment of bank and other borrowings	(2,960,263)	(2,840,099)
Repayments of leases liabilities, including related interests	(563,376)	(375,544)
Interest paid on bank and other borrowings	(75,120)	(64,446)
Acquisition of additional interests of a subsidiary	(1,362)	-
Dividends paid	-	(115,326)
Dividend paid to a non-controlling interest of a subsidiary	-	(14,000)
New bank and other borrowings raised	2,154,688	2,575,025
Proceeds from issue of shares upon exercise of share options	348	11,957
Capital contribution by a non-controlling interest	-	90,000
	<b>(1,445,085)</b>	<b>(732,433)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,000,692</b>	<b>(90,669)</b>
Effect of foreign exchange rate changes	1,885	953
<b>Cash and cash equivalents at beginning of the period</b>	<b>613,591</b>	<b>730,956</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>1,616,168</b>	<b>641,240</b>

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. BASIS OF PREPARATION

The condensed consolidated financial statements 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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

#### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amount or fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are consistent with those of the annual financial statements for the year ended December 31, 2019.

#### *Application of amendments to HKFRSs*

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## **INTERIM RESULTS**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

#### **2. PRINCIPAL ACCOUNTING POLICIES (continued)**

##### *Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on these condensed consolidated financial statements. Changes in presentation and disclosure on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending December 31, 2020.

#### **3. REVENUE AND SEGMENTAL INFORMATION**

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales. The Group's results and revenue are reported as a whole on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of performance assessment and resource allocation. No other discrete financial information is available for resources allocation on the Group's business.

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 3. REVENUE AND SEGMENTAL INFORMATION (continued)

The following is an analysis of the Group's revenue recognised at a point in time:

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Sales of sportswear and footwear products	11,690,618	13,301,005
Commissions from concessionaire sales	49,582	70,609
	<b>11,740,200</b>	13,371,614

#### 4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax		
- Current period	79,478	203,584
- (Over) underprovision in prior periods	(11,125)	6,646
Current tax charge - total	68,353	210,230
Deferred tax credit	(18,104)	(20,959)
	<b>50,249</b>	189,271

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 5. FINANCE COSTS/PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>(a) Finance costs</b>		
Interest expense on bank and other borrowings	69,969	74,596
Interest expense on lease liabilities	61,059	42,466
	<b>131,028</b>	117,062
<b>(b) Profit for the period</b>		
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	1,211,732	1,514,384
Depreciation of right-of-use assets	567,832	368,876
Depreciation of property, plant and equipment	273,466	218,102
Net changes in allowance for inventories (included in cost of sales)	(28,222)	(42,383)
Amortisation of intangible assets (included in selling and distribution expenses)	51,483	52,117
Impairment loss on interest in a joint venture (included in other loss) (Note 10)	-	9,987
Gross rental income from investment properties, net of direct expenses	(1,995)	(1,985)
Loss on disposal of property, plant and equipment (included in other operating income and gains (losses))	16,830	15,063
Impairment losses (reversal of impairment losses) recognised on trade and other receivables, net (included in other operating income and gains (losses))	4,934	(668)

For the six months ended June 30, 2020 and 2019, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 6. DIVIDENDS

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Dividends recognised as distribution during the period:		
2019 final dividend of nil per share (six months ended June 30, 2019: 2018 final dividend of HK\$0.025 per share)	-	115,326

During the current interim period, the Directors of the Company resolved not to recommend payment of a final dividend in respect of the year ended December 31, 2019 (six months ended June 30, 2019: 2018 final dividend of HK\$0.025 per share). 2018 final dividend of approximately HK\$131,201,000 (equivalent to approximately RMB115,326,000) was paid to the shareholders of the Company during the six months ended June 30, 2019.

Subsequent to the end of the current interim period, the Directors of the Company have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2019: nil).

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 7. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	12,314	427,435
	For the six months ended June 30,	
	2020 (unaudited)	2019 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,260,779,468	5,246,085,693
Effect of dilutive potential ordinary shares:		
- Share options	57,624	4,237,629
- Invested awarded shares	36,114,105	49,722,998
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,296,951,197	5,300,046,320

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.

The computation of diluted earnings per share does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market price of shares for both periods.

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of RMB185,541,000 (six months ended June 30, 2019: RMB266,905,000).

During the current interim period, the Group has disposed of/written off certain property, plant and equipment with an aggregate carrying amount of RMB25,800,000 (six months ended June 30, 2019: RMB23,790,000) for cash proceeds of RMB8,970,000 (six months ended June 30, 2019: RMB8,727,000), resulting in a loss on disposal/written off of RMB16,830,000 (six months ended June 30, 2019: RMB15,063,000).

During the current interim period, the Group entered into several new lease agreements for the use of retail stores with lease terms generally between 1 to 5 years. Some of the leases in which the Group is the lessee contain variable lease payments terms that are linked to sales generated from retail stores. The Group recognised right-of-use assets and related lease liabilities of RMB299,161,000 (six months ended June 30, 2019: RMB416,969,000).

During the current interim period, certain retail stores of the Group were not available for operation in February 2020 due to the closure of shopping malls. The Group had to temporarily close its retail stores in order to contain the spread of the novel coronavirus (COVID-19) pandemic (the "Pandemic"). Lessors of the relevant retail stores provided rent concessions to the Group through rent reductions ranging from 50% to 100% over one to three months.

The changes in lease payments due to rent concessions constitute lease modifications. During the current interim period, reduction of the Group's lease liabilities of RMB88,352,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognised.

At the end of the current interim period, the Group had contracted for the future lease payments for retail stores amounting to RMB20,545,000 (December 31, 2019: nil).

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 9. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 days to 60 days which is 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:

	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
0 - 30 days	1,522,130	1,297,831
31 - 90 days	343,461	107,056
Over 90 days	177	2,636
	<b>1,865,768</b>	<b>1,407,523</b>

#### 10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the six months ended June 30, 2019, the Group entered into a disposal framework agreement with the joint venture partner of a joint venture (the "Joint Venture Partner"), pursuant to which the Group agreed to dispose of its investment in the joint venture for a consideration of approximately RMB29,160,000, and recognised impairment loss on the joint venture of RMB9,987,000, calculated as the difference between the carrying amount of the joint venture and the anticipated net disposal proceeds. Therefore, the interest of the Group in the joint venture, which was expected to be sold within twelve months, has been classified as non-current asset held for sale and was presented separately in the condensed consolidated statement of financial position as at June 30, 2019.

The Group entered into a supplementary agreement with the Joint Venture Partner in February 2020 to extend the completion date of the disposal to February 2021 due to renegotiation of consideration payment terms. Therefore, the non-current asset held for sale was still presented separately in the condensed consolidated statement of financial position as at June 30, 2020.

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 11. TRADE AND OTHER PAYABLES

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:

	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
0 - 30 days	635,879	770,845
31 - 90 days	1,525	653
Over 90 days	5,512	1,415
	<b>642,916</b>	<b>772,913</b>

#### 12. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At January 1, 2019, June 30, 2019, January 1, 2020 and June 30, 2020	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2019	5,345,306,615	53,453
Exercise of share options	11,166,000	112
At June 30, 2019	5,356,472,615	53,565
At January 1, 2020	5,356,472,615	53,565
Exercise of share options	375,000	4
At June 30, 2020	5,356,847,615	53,569

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 12. SHARE CAPITAL (continued)

	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
Shown in the condensed consolidated financial statements	<b>46,688</b>	46,685

#### 13. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

##### (a) Share Option Scheme

The share option scheme was adopted by the shareholders of the Company 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:

	2020		2019	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
As at January 1,	2.44	10,871,870	1.75	28,244,190
Exercised	1.05	(375,000)	1.23	(11,166,000)
Lapsed	-	-	1.23	(5,040,000)
Cancelled	2.49	(8,164,230)	-	-
As at June 30,		<b>2,332,640</b>		12,038,190
Exercisable at the end of the reporting period	2.49	<b>2,332,640</b>	2.29	2,707,640



## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 13. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

##### (b) Share Award Scheme

The share award scheme was approved and adopted by the Board of Directors of the Company on May 9, 2014 and amended on November 11, 2016. Movement in the number of share awards outstanding is as follows:

	Number of share awards	
	2020	2019
As at January 1,	42,743,170	43,843,450
Granted	1,500,000	13,826,000
Vested	(4,305,000)	(3,096,000)
Lapsed	(9,775,370)	(2,219,000)
As at June 30,	30,162,800	52,354,450

#### 14. RELATED PARTY DISCLOSURES

##### Transactions and balances

The Group had the following significant related party transactions and balances:

Relationship	Nature of transactions	For the six months ended June 30,	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Joint venture of the Group	Sales of sportswear products by the Group	1,387,123	-
	Purchase of footwear products by the Group	195,576	-
	Logistic service income by the Group	16,602	-
	Management fees charged to the Group	101,671	-

## INTERIM RESULTS

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**14. RELATED PARTY DISCLOSURES (continued)**  
**Transactions and balances (continued)**

Relationship	Nature of balances	At	At
		June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Pou Chen Corporation and its subsidiaries	Other borrowings of the Group	-	555,000
Joint ventures of the Group	Trade receivables of the Group	590,535	-
	Other receivables of the Group	303,861	12,656
	Trade payables of the Group	41,940	-
	Other payables of the Group	39,395	73,536

**15. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD**

Due to the outbreak of the Pandemic and the implementation of various strict control measures by the government of China in the first quarter of this year, the Group temporarily suspended the operations of majority of its retail stores in the PRC in the first quarter of 2020 in an effort to contain the spread of the Pandemic, leading to reduction in revenue and gross profit. Subsequently, as the Pandemic and the implementation of various strict control measures by the government of China eased up, whereas certain lessors have provided rent concession to the Group, the operation and financial performance of the Group quickly recovered to the same level as compared to that of the second quarter of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Business Model and Environment

In the beginning of 2020, the outburst of the novel coronavirus (COVID-19) pandemic (the “Pandemic”) in China and the world brought uncertainties and challenges to the China economy. However, the government of China has been taking timely and stringent measures to refrain people from gathering and commuting from places to places. Together with vast medical resources, the Pandemic in China was relieved to a great extent in a few months and consumers were starting to restore their daily lives with cautions from April 2020.

The long lasting athleisure trends in China, such as growing fitness and health awareness, higher sports participation rates, growing level of sports services subscriptions, and government policies to boost sports consumption, strengthens the Group’s confidence that demand and recovery of sportswear and sports services in China remain intact. During the period under review, the Group swiftly adapted to the changing environment, by launching contingency plans and accelerating the implementation of several initiatives to mitigate the impact of the Pandemic. These measures included scaling up the accessibility and content of its omni-channels and further improving the operational efficiency of its offline channels. As it navigated the challenging operational environment, the Group continued to move closer to its vision and mission: “Make sports your life!” and “Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.”.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW (continued)**

#### **Operating Refinement and Efficiency**

The Group's brick and mortar ("B&M") stores have progressively resumed operations since late-March 2020. Since then, the Group implemented promotional plans, with the support of its brand partners, to increase inventory sell-through while integrating offline and online channels. As a result, the growth of the Group's sales returned to positive territory on a year-on-year basis in May and June, 2020.

The Group continued to enhance its experience-driven B&M stores while closing down low-efficiency and underperforming stores during the period to further increase its operational efficiency. As at June 30, 2020, the Group's retail network consisted of 5,597 directly operated stores and 3,839 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	<b>June 30, 2020</b>	June 30, 2019
At the beginning of the period	<b>5,883</b>	5,648
Net (decrease)/increase in the number of stores	<b>(286)</b>	247
At the end of the period	<b>5,597</b>	5,895

The Group worked closely with brand partners to reduce level of inventories, while extending the payment term and monitoring the receivables. Its working capital days returned to a pleasant level of 155 days for the first six months of 2020, as compared with 200 days for the first quarter of the year. Meanwhile, the Group implemented several cost control measures, including rent negotiation with landlords, headcounts control and application for government remedial subsidies. As a result, the Group recorded strong V-shape rebound from its first quarter loss, and turned into profit in the second quarter of year 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (continued)

#### Digital Transformation

Integration of the Group's omni-channels has been accelerated further during the Pandemic. Omni-channel sales grew by over 20% (YOY) during the first half of 2020. This included sales attributed to the strategic alliances with prominent online partners, as well as the new WeChat stores that were launched in February this year. Encouragingly, the share of B2C omni-channel sales increased significantly during the first half of 2020 as compared with the same period of last year, with the Group continuing to prioritise investment and allocate resources to its online B2C channels.

The Pandemic in early 2020 profoundly changed consumer in China as many consumers are getting used to shopping from physical stores to digital channels. In response to that, the Group accelerated the application of digital transformation by launching WeChat stores, mini-programs and mobile payment in the B&M stores. In addition, the Group reinforced its product sharing platform ("PSP") to share the products across different platforms and reduce idle inventory.

#### Sports Services Provider

B&M retail channels still remain a critical and irreplaceable sales touchpoint for consumers who seek a unique and personalised shopping experience for sports products and services. Although many of the Group's capital expenditure projects in 2020 have been delayed, over the long-term, the Group will continue to invest in upgrading its B&M stores to better integrate offline store sales with its digital channels and sports services, which will enrich the consumer experience while stimulating higher-margin in-season sales. The Group's first sports services store "Next Store" opened in Taiwan in the second quarter of 2020. Apart from being a larger store, "Next Store" acts as a service hub, incorporating a wide and diverse range of retail products, alongside training services, sports events, colorful experiences, workshops, product and lifestyle consultations as well as healthy and fitness meals all derived from series of grass root sports activities organised by branch offices nationwide, greatly supporting the growth of the Group's omni-channel capabilities. Each of these services is modularised so that they can be easily customised and integrated into the Group's other B&M stores as required. The Group initiated different story contents and intellectual property ("IP") activities/events to attract consumers through the B&M stores and digital platforms. Meanwhile, by adding different types of sports services to "Next Store", the first "Next Store" in Taiwan was already reporting satisfactory results, such as high conversion rates and widespread community interest. More "Next Stores" are in the pipeline in the second half of 2020 to enhance the consumer experiences and facilitate the sales growth via omni-channels.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW (continued)**

#### **Sports Services Provider (continued)**

The Group organised numerous online sports events to maintain its engagement with customers during the first half of 2020. It also continues to leverage the YYsports mobile application in Greater China region, which boosts the Group's ExP ("Energy x Power") programme and offers diversified sports services contents, interactive features, and other related services to support in-depth customer relationship management and to facilitate a seamless online and offline customer experience.

The Group's continued investments in digitalisation and sports services are essential for developing its unique core competencies, maintaining its competitiveness and supporting its long-term development. Through these aforementioned efforts, the Group is confident that it will overcome various challenges and manage rising costs, while capturing long-term opportunities.

### **PERFORMANCE ANALYSIS**

#### **Financial Review**

For the first half of 2020, the Group recorded revenue of RMB11,740.2 million, representing a decline of 12.2% compared with the same period of last year. Gross profit was RMB3,520.1 million, a decline of 23.7% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2020 was RMB12.3 million.

#### **Revenue**

The Group's total revenue fell 12.2% to RMB11,740.2 million in the first half of 2020, as compared with the same period of last year. The decrease was caused by the impact of the Pandemic on consumer sentiment, in particular the temporary closure of the B&M stores of the Group between Lunar New Year and mid-March 2020, as a result of the various strict control measures implemented by the government of China to contain the spread of the Pandemic. However, this decline was partially offset by the rapid growth of the Group's omni-channel business and the subsequent sales improvement in the second quarter of year 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE ANALYSIS (continued)

#### Gross Profit

The Group's gross profit for the first half of 2020 amounted to RMB3,520.1 million, with a gross profit margin of 30.0%. The 4.5 percentage points decline in the gross profit margin, as compared to 34.5% in the same period of last year, was mainly attributed to increased promotional activities in order to motivate customer demand following the re-opening of the Group's B&M stores in China after the Pandemic lockdowns.

#### Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in the first half of 2020 were RMB3,459.2 million, a decline of 14.0% compared to the same period of last year. This was equivalent to 29.5% of total revenue, a decrease of 0.6 percentage point year-on-year. The decrease was attributable to strict cost control measures, accessing of government subsidies and positive rent negotiations.

#### Operating Profit

The Group's operating profit in the first half of 2020 was RMB201.8 million, with an operating margin of 1.7%.

#### Profit for the Period

As a result of the aforementioned efforts, the Group recorded a net profit of RMB17.4 million in the first half of 2020.

#### Working Capital Efficiency

The average inventory turnover period for the first half of 2020 was 146 days (first half of 2019: 139 days). The inventory efficiency held up well, attributable to efficient in-season procurement adjustment and prompt promotional activities. The balance of inventory as at June 30, 2020 recorded a three-year low of RMB5,167.0 million, thanks to the Group's continued effort in diligently managing inventory levels to optimise working capital efficiency. The average trade receivables turnover period in the first half of 2020 was 25 days (first half of 2019: 25 days), which remained consistent with the credit terms of 30 to 60 days that the Group gave its department store counters and retail distributors. The average trade and bills payables turnover period in the first half of 2020 was 16 days (first half of 2019: 10 days).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PERFORMANCE ANALYSIS (continued)**

#### **Liquidity and Financial Resources**

As at June 30, 2020, the Group had a record high level of cash and cash equivalents, which amounted to RMB1,616.2 million (December 31, 2019: RMB613.6 million), while working capital (current assets minus current liabilities) was RMB3,981.5 million (December 31, 2019: RMB3,889.3 million). Total bank and other borrowings were at the lowest level since 2018, amounting to RMB2,742.4 million (December 31, 2019: RMB3,546.0 million) and are repayable within one year. In addition, the Group settled a related party loan amounting to RMB555.0 million during the period. Bank and other borrowings were mainly denominated in Renminbi and so were cash and cash equivalents.

The Group's gearing ratio as of June 30, 2020, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 35.5% (December 31, 2019: 46.0%).

During the first half of 2020, the net cash generated from operating activities was RMB2,719.4 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in the first half of 2020 was RMB273.7 million, while the net cash used in financing activities was RMB1,445.1 million. During the first half of 2020, the Group raised and repaid bank and other borrowings of RMB2,154.7 million and RMB2,960.3 million respectively.

#### **Capital Expenditure**

Due to the Pandemic, much of the Group's planned capital expenditure for the opening of new stores, upgrading existing store formats, and expanding new concept and mega stores to provide a better shopping experience, had been delayed. As a result, the Group's capital expenditure in the first half of 2020 primarily comprised of injecting new resources into its online and sports services platform, as well as selectively opening new stores. During the first half of 2020, the total capital expenditure declined to RMB163.3 million (first half of 2019: RMB290.7 million). As at June 30, 2020, the Group had no material capital commitments and contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE ANALYSIS (continued)

#### Foreign Exchange

The Group conducted its business primarily in the Greater China region and the majority of its transactions are denominated in Renminbi. As at June 30, 2020, the Group had no significant hedging instruments for managing its foreign exchange exposure. As the exchange rate of Renminbi against foreign currencies may fluctuate, the Group may enter into forward contracts, currency swaps or options to hedge against currency risks arising from foreign currency transactions when necessary.

The Group has a dedicated treasury division and internal treasury policies and approval guidelines to manage and control the Group's exposure to structured deposit investments. The use of derivatives and approval procedures were in accordance to our internal policies and guidelines during the first half of 2020.

### PROSPECTS AND FUTURE DEVELOPMENTS

The Group's short-term performance will be influenced by the pace of consumption recovery. Foot traffic and sales activities at the Group's B&M stores have progressively increased since the resumption of operations, though it is yet to fully recover with fluctuating activity levels. Nevertheless, the Group continues to see accelerated sales growth in its omni-channels.

The Group's management remains optimistic about the longer-term growth opportunities within the China sportswear and sports consumption markets, which will continue to be supported by rising health awareness, growing sports participation rates, and the growth of athleisure trend in the Greater China region.

There are signs that policy makers will support consumption in the sports sector, with various governments at the local and provincial levels issuing coupons to support the consumptions of sports products and services, while the General Administration of Sport of China has recently announced a trial programme in selected cities to boost sports consumption through tax incentives, fee subsidies and government services. These trends will continue to support the Group's omni-channel distribution strategy, as well as demand for sports training, sports events and other sports services over the long-term, especially as social-distancing measures are relaxed further.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PROSPECTS AND FUTURE DEVELOPMENTS (continued)**

Nevertheless, there is a risk that the Group's short-to-medium term performance may be impacted by a potential second wave of infections, global economic uncertainties and the extended delay or cancellation of large-scale sports events.

The Group will aim to recommence the organisation of IP sports events in the Greater China region, as well as events licensed by sports event companies, organised with local governments or in partnership with global brand partners.

In light of the continued uncertainties, the Group will be taking a prudent approach on capital expenditure for the remainder of 2020, while not compromising on growth opportunities. The level of expenditure will hinge on the pace of the resumption of sports events and any signs of a second wave of the Pandemic in China. However, the Group will continue to invest in its omni-channels to facilitate further sales growth.

The Group will also continue to invest in its digital platform and business intelligence system to better support its inventory management, optimise its resources and improve the efficiency of its working capital. It will also continue to drive its offline and online sales growth and margin growth through its PSP and dashboard implementation.

The Group will continue to expand the scale of its interaction with consumers to 365-day communications and encourage normal-day sales by cooperating with current and potential brand partners and by connecting brands' products to relevant sports events and services.

Despite the current challenges, leveraging the above strategies, the Group expects to further enhance its long-term performance and profitability, optimise its resources and maximise returns for its customers, partners, employees and shareholders.

### **HUMAN RESOURCES**

As at June 30, 2020, the Group had approximately 34,200 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company 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 for employees based on their respective personal career development.

## OTHER INFORMATION

### INTERIM DIVIDEND

The board of directors of Pou Sheng International (Holdings) Limited (the “Company” and the “Board”, respectively) has resolved not to declare an interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: nil).

### DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2020, the interests or short positions of the Company’s directors (the “Directors”) and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which (a) as required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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) 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### Long Positions in shares and underlying shares

##### (a) The Company

Ordinary shares of HK\$0.01 each of the Company (the "Shares")

Name of Directors/ chief executive	Capacity	Number of Shares/underlying Shares held				Total	Percentage of the issued Shares <sup>1</sup>
		Personal interests	Family interests	Corporate interests	Other interests		
Tsai Patty, Pei Chun	Beneficial Owner	19,523,000	-	-	-	19,523,000	0.36%
Lee, Shao-Wu	Beneficial Owner	4,500,000 <sup>2</sup>	-	-	-	4,500,000	0.08%

notes:

<sup>1</sup> The total number of issued Shares as at June 30, 2020 was 5,356,847,615.

<sup>2</sup> Included interests in 3,300,000 awarded Shares granted under the share award scheme of the Company (the "Share Award Scheme"), which are subject to certain vesting conditions and remain unvested as at June 30, 2020. Details of the awarded Shares are set out in the section "Share Award Scheme" in this interim report.

##### (b) Associated Corporation – Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")

Ordinary shares of HK\$0.25 each of Yue Yuen

Name of Directors/ chief executive	Capacity	Number of shares/underlying shares held				Total	Percentage of the issued shares of Yue Yuen <sup>1</sup>
		Personal interests	Family interests	Corporate interests	Other interests		
Wu, Pan-Tsu	Beneficial Owner	40,000 <sup>2</sup>	-	-	-	40,000	0.00%
Lee, Shao-Wu	Beneficial Owner	78,000	-	-	-	78,000	0.00%

notes:

<sup>1</sup> The total number of issued shares of Yue Yuen as at June 30, 2020 was 1,612,183,986.

<sup>2</sup> 40,000 awarded shares granted by Yue Yuen under the share award scheme of Yue Yuen (the "YY Share Award Scheme"), which are subject to certain vesting conditions and remain unvested as at June 30, 2020. Details of the awarded shares are set out in the section "Arrangement to Acquire Shares or Debentures" in this interim report.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at June 30, 2020, none of the Directors nor chief executives of the Company had or was deemed to have 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) were required 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.

### 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 share option scheme of the Company was adopted by the shareholders of the Company (the "Shareholders") on May 14, 2008 (the "Share Option Scheme"), certain terms of which were amended on March 7, 2012, and was valid and effective for a period of ten years from the date of adoption. The Share Option Scheme expired at the end of the day on May 13, 2018, after which no further share options should be offered or granted. However, the share options granted prior to the expiration of the Share Option Scheme shall continue to be valid and exercisable within their respective prescribed exercisable periods.

Eligible participants of the Share Option Scheme include directors and full time employees of the Company and its subsidiaries (the "Group") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group.

## **OTHER INFORMATION**

### **SHARE OPTION SCHEME (continued)**

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 under the Share Option Scheme should not exceed 10% of the total number of the issued Shares as at the date on which dealings in the Shares first commence on the Stock Exchange (i.e. June 6, 2008) (being 355,000,000 Shares, representing approximately 6.63% of the total number of issued Shares as at the date of this report). Unless approved by the shareholders of the Company and Yue Yuen, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme in any 12-month period should not exceed 1% of the Shares in issue for the time being.

All the share options granted under the Share Option Scheme should be exercised at any time during a period to be determined and notified by the Board at the time of making an offer and should not be exercised later than 10 years after the date of grant. The minimum period for which a share option must be held before it can be exercised should be determined by the Board. The exercise price of any share option should be determined by the Board but in any event should not be less than the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. For grantee who is an employee or director of the Group, he/she has to remain as an employee or director of the Group until the share options being vested on him/her.

For the share options in respect of 11,663,190 Shares granted on November 14, 2016, upon the terms of the operation and share incentive agreement governing the grant, the total amount payable on acceptance of the share options was US\$303,950.77 and the payment must be made within 5 days from the date on which the offer letters were delivered to the relevant grantees. Save for the aforesaid, under the rules of the Share Option Scheme, the amount payable on acceptance of share option is HK\$1.00 and the payment must be made within 28 days from the date on which the offer letter is delivered to the participant.

## OTHER INFORMATION

### SHARE OPTION SCHEME (continued)

As at June 30, 2020, an aggregate of 31,125,000 Shares have been issued and an aggregate of 2,332,640 Shares may be issued upon exercise of share options granted under the Share Option Scheme. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 2,332,640, representing approximately 0.04% of the issued Shares.

Pursuant to the Share Option Scheme, movements in share options during the period under review are set out below:

Date of grant	Exercise price HK\$	Vesting period	Exercisable period	Number of underlying Shares comprised in the share options				Balance as at June 30, 2020
				Balance as at January 1, 2020	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	
<b>Employees</b>								
14.11.2016	2.494	14.11.2016-31.08.2018	01.09.2018-01.09.2020	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2019	01.09.2019-01.09.2021	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2020	01.09.2020-01.09.2022	2,332,640	-	-	(2,332,640)	-
		14.11.2016-31.08.2021	01.09.2021-01.09.2023	5,831,590	-	-	(5,831,590)	-
Sub-total				10,496,870	-	-	(8,164,230)	2,332,640
<b>Former Employees</b>								
07.03.2012	1.050	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	(375,000)	-	-
Sub-total				375,000	-	(375,000)	-	-
Grand total				10,871,870	-	(375,000)	(8,164,230)	2,332,640

The weighted average closing price of the Shares immediately before March 5, 2020, the date on which the share options were exercised is HK\$2.00 per Share.

Save as disclosed above, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme during the period.

## **OTHER INFORMATION**

### **SHARE AWARD SCHEME**

The Share Award Scheme was adopted on May 9, 2014 and duly amended on November 11, 2016 for recognising the contributions by certain persons, including Directors and employees of the Group, providing incentives to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The scheme is valid and effective for a term of 10 years commencing on May 9, 2014. No further share awards should be granted upon termination or expiry of the term of the Share Award Scheme.

Any proposed award should be determined on the basis of individual performance and must be recommended by the remuneration committee of the Board and approved by the Board. All the share awards granted under the Share Award Scheme should be vested in accordance with the conditions (such as employment status, individual performance and common key performance indicators) as determined by the Board.

The total number of Shares to be awarded under the Share Award Scheme should not exceed 4% of the issued Shares as at the date of grant. The maximum number of Shares (including vested and non-vested Shares) which may be awarded to a selected participant should not exceed 1% of the issued Shares 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 before vesting 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 dividend).

## OTHER INFORMATION

### SHARE AWARD SCHEME (continued)

Pursuant to the Share Award Scheme, movements in awarded Shares during the period are set out below:

	Date of grant	Vesting period	Number of awarded Shares				
			Balance as at January 1, 2020	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2020
<b>Director</b>							
Lee, Shao-Wu	25.03.2017	25.03.2017-24.03.2020	400,000	-	(400,000)	-	-
	11.08.2018	11.08.2018-10.09.2020	300,000	-	-	-	300,000
	11.08.2018	11.08.2018-10.03.2021	500,000	-	-	-	500,000
	23.03.2019	23.03.2019-22.09.2020	200,000	-	-	-	200,000
	23.03.2019	23.03.2019-22.09.2021	300,000	-	-	-	300,000
	23.03.2019	23.03.2019-22.03.2022	500,000	-	-	-	500,000
	31.03.2020	31.03.2020-30.03.2021	-	500,000	-	-	500,000
	31.03.2020	31.03.2020-30.03.2022	-	500,000	-	-	500,000
	31.03.2020	31.03.2020-30.03.2023	-	500,000	-	-	500,000
Sub-total			2,200,000	1,500,000	(400,000)	-	3,300,000

## OTHER INFORMATION

### SHARE AWARD SCHEME (continued)

	Date of grant	Vesting period	Number of awarded Shares			Balance as at June 30, 2020	
			Balance as at January 1, 2020	Granted during the period	Vested during the period		Lapsed/ cancelled during the period
<b>Employees</b>							
	14.11.2016	14.11.2016-31.08.2020	1,667,360	-	-	(1,667,360)	-
	14.11.2016	14.11.2016-31.08.2021	4,168,410	-	-	(4,168,410)	-
	25.03.2017	25.03.2017-24.03.2020	4,031,000	-	(3,905,000)	(126,000)	-
	03.07.2017	03.07.2017-02.07.2020	300,000	-	-	(300,000)	-
	14.11.2017	14.11.2017-13.11.2020	3,200,000	-	-	(1,000,000)	2,200,000
	11.08.2018	11.08.2018-30.06.2020	210,000	-	-	(210,000)	-
	11.08.2018	11.08.2018-10.09.2020	4,976,400	-	-	(126,600)	4,849,800
	11.08.2018	11.08.2018-31.12.2020	350,000	-	-	(350,000)	-
	11.08.2018	11.08.2018-10.03.2021	8,294,000	-	-	(211,000)	8,083,000
	23.03.2019	23.03.2019-22.09.2020	2,407,200	-	-	(191,200)	2,216,000
	23.03.2019	23.03.2019-30.09.2020	112,000	-	-	(112,000)	-
	23.03.2019	23.03.2019-22.09.2021	3,610,800	-	-	(286,800)	3,324,000
	23.03.2019	23.03.2019-30.09.2021	168,000	-	-	(168,000)	-
	23.03.2019	23.03.2019-22.03.2022	6,018,000	-	-	(478,000)	5,540,000
	23.03.2019	23.03.2019-31.03.2022	280,000	-	-	(280,000)	-
	15.11.2019	15.11.2019-14.12.2020	750,000	-	-	(100,000)	650,000
	<b>Sub-total</b>		40,543,170	-	(3,905,000)	(9,775,370)	26,862,800
	<b>Grand total</b>		42,743,170	1,500,000	(4,305,000)	(9,775,370)	30,162,800

The weighted average closing price of the Shares immediately before the grant of awarded Shares on March 31, 2020 is HK\$1.45 per Share.

## OTHER INFORMATION

### ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Mr. Wu, Pan-Tsu was awarded 40,000 ordinary shares of Yue Yuen under the YY Share Award Scheme on October 2, 2018. These awarded Yue Yuen shares remain unvested and to be vested on May 31, 2021 subject to certain vesting conditions.

Save as disclosed herein and as stated in the sections “Share Option Scheme” and “Share Award Scheme” 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, 2020, the register of interests in Shares and short positions of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures”, the following Shareholders had notified the Company of their relevant interests in the issued Shares:

#### Long Positions in the 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	3,311,090,560	61.81%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,311,090,560	61.81%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	3,311,090,560	61.81%
Pou Chen Corporation ("PCC")	(b)	Interest of a controlled corporation	3,311,090,560	61.81%

## **OTHER INFORMATION**

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)**

*notes:*

The total number of issued Shares as at June 30, 2020 was 5,356,847,615.

- (a) 3,311,090,560 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. The entire issued share capital of Wealthplus is held by PCC.

Ms. Tsai Patty, Pei Chun, a Director, is also a director of Yue Yuen, Wealthplus and PCC. Mr. Wu, Pan-Tsu, a Director, is also a director of PCC. Mr. Chen, Huan-Chung, a Director, is also an independent director of PCC.

Save as disclosed above, as at June 30, 2020, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) who had or was deemed to have an interest or short position in the Shares or underlying Shares which were required 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, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares listed and traded on the Stock Exchange (six months ended June 30, 2019: nil).

## OTHER INFORMATION

### UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of publication of the Company's 2019 annual report are set out below:

- (a) On May 5, 2020, Ms. Tsai Patty, Pei Chun entered into a supplemental letter of appointment with the Company for renewal of her term of appointment as a non-executive Director for a further term of three years commencing from June 6, 2020 to June 5, 2023, subject to retirement by rotation and re-election at annual general meetings pursuant to the bye-laws of the Company.
- (b) On May 5, 2020, Mr. Chen, Huan-Chung entered into a supplemental letter of appointment with the Company for renewal of his term of appointment as an independent non-executive Director for a further term of three years commencing from June 6, 2020 to June 5, 2023, subject to retirement by rotation and re-election at annual general meetings pursuant to the bye-laws of the Company.
- (c) On June 22, 2020, Mr. Hsieh, Wuei-Jung ceased to act as an independent director, the chairman of the audit committee and a member of the compensation committee of Anpec Electronics Corporation, the shares of which are traded on Taipei Exchange.
- (d) On July 10, 2020, Mr. Wu, Pan-Tsu was appointed as a director of PCC, the shares of which are listed on the Taiwan Stock Exchange Corporation. PCC is a controlling shareholder of Yue Yuen, the controlling shareholder of the Company, and through Yue Yuen, is deemed to have interests in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

The Company has applied the principles of, and has complied with all code provisions contained in, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2020.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES**

The Company has adopted the Model Code as set out in Appendix 10 to 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 has confirmed that he/she has complied with the required standard set out in the Model Code throughout the six months ended June 30, 2020.

The Company has also established and adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines"). 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 Company and its securities must comply with the Employees Guidelines.

### **REVIEW OF ACCOUNTS**

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group's unaudited condensed consolidated financial information for the six months ended June 30, 2020, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

Deloitte Touche Tohmatsu, certified public accountants and the independent auditor of the Company, has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## OTHER INFORMATION

### 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 Board comprises:

#### Executive Directors

Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu (Chief Executive Officer)

#### Non-executive Directors

Ms. Tsai Patty, Pei Chun and Mr. Li I-nan

#### Independent Non-executive Directors

Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Feng Lei Ming

By Order of the Board

**Wu, Pan-Tsu**

*Chairman*

Hong Kong, August 13, 2020

Website: [www.pousheng.com](http://www.pousheng.com)



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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED  
寶勝國際（控股）有限公司