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

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		**Percentage increase (decrease)**
	2017 (unaudited)	2016 (unaudited and restated)	
Revenue *(RMB'000)*	**9,515,092**	8,312,889	**14.5%**
Operating profit *(RMB'000)*	**505,753**	570,570	**(11.4%)**
Profit attributable to owners of the Company *(RMB'000)*	**298,612**	371,438	**(19.6%)**
Basic earnings per share *(RMB cents)*	**5.73**	7.10	**(19.3%)**
Dividend per share – Interim dividend *(HK$)*	**–**	0.02	**(100.0%)**

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, 2017 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2017

		For the six months ended June 30,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited and restated)
Revenue	4	**9,515,092**	8,312,889
Cost of sales		**(6,223,056)**	(5,354,052)
Gross profit		**3,292,036**	2,958,837
Other operating income and gains (losses)		**134,160**	108,163
Selling and distribution expenses		**(2,591,057)**	(2,170,429)
Administrative expenses		**(329,386)**	(326,001)
Operating profit		**505,753**	570,570
Finance costs		**(52,065)**	(28,999)
Finance income		**2,972**	6,659
Finance costs – net		**(49,093)**	(22,340)
Share of results of an associate		**–**	(7,225)
Share of results of joint ventures		**(2,472)**	892
Other (losses) gains		**(4,363)**	14,923
Profit before taxation		**449,825**	556,820
Income tax expense	5	**(138,285)**	(174,091)
Profit for the period	6	**311,540**	382,729
Attributable to:			
Owners of the Company		**298,612**	371,438
Non-controlling interests		**12,928**	11,291
		311,540	382,729
Earnings per share	8		
– Basic		**RMB5.73 cents**	RMB7.10 cents
– Diluted		**RMB5.68 cents**	RMB7.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Profit for the period	**311,540**	382,729
Other comprehensive (expense) income		
An item that may be reclassified subsequently to profit or loss		
Exchange difference arising on translation of foreign operations	**(1,084)**	2,476
Total comprehensive income for the period	**310,456**	385,205
Attributable to:		
Owners of the Company	**297,495**	373,857
Non-controlling interests	**12,961**	11,348
	310,456	385,205

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2017

	Note	At June 30, 2017 *RMB'000* (unaudited)	At December 31, 2016 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**990,885**	902,732
Deposit paid for acquisition of property, plant and equipment		**73,429**	55,224
Prepaid lease payments		**143,000**	143,621
Rental deposits and prepayments		**133,678**	127,335
Intangible assets		**565,148**	614,678
Goodwill		**532,794**	532,450
Interests in joint ventures		**49,319**	51,791
Loans to joint ventures		**17,500**	17,500
Available-for-sale investments		**2,228**	2,156
		2,507,981	2,447,487
Current assets			
Inventories		**4,511,060**	4,400,649
Trade and other receivables	9	**2,756,789**	2,412,346
Taxation recoverable		**2**	1,526
Bank balances and cash		**448,852**	482,635
		7,716,703	7,297,156
Assets classified as held for sale		**10,000**	299,133
		7,726,703	7,596,289

	Note	At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Current liabilities			
Trade and other payables	10	**1,467,555**	2,006,378
Taxation payable		**110,600**	64,664
Bank borrowings		**2,171,627**	1,375,826
Consideration payable for acquisition of business		**–**	60,439
		3,749,782	3,507,307
Liabilities associated with assets classified as held for sale		**–**	230,309
		3,749,782	3,737,616
Net current assets		**3,976,921**	3,858,673
Total assets less current liabilities		**6,484,902**	6,306,160
Non-current liability			
Deferred tax liabilities		**160,281**	172,649
Net assets		**6,324,621**	6,133,511
Capital and reserves			
Share capital		**46,525**	46,523
Reserves		**6,235,035**	6,057,008
Equity attributable to owners of the Company		**6,281,560**	6,103,531
Non-controlling interests		**43,061**	29,980
Total equity		**6,324,621**	6,133,511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has 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" and the "Listing Rules", respectively) and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. APPLICATION OF MERGER ACCOUNTING

On November 14, 2016, Winning Team Holdings Limited, an indirect wholly-owned subsidiary of the Company, acquired from Key International Co., Ltd., an indirect wholly-owned subsidiary of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), an intermediate holding company of the Company, the entire equity interests in PCG Bros (Holdings) Co. Limited ("PCG Bros") for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000.00). PCG Bros and its subsidiaries (collectively referred to as "PCG Bros Group") are principally engaged in sports marketing and organisation of sports events in Taiwan.

The Group and PCG Bros Group are both under the control of Yue Yuen before and after the date of acquisition, and that control is not transitory. The Group and PCG Bros Group are regarded as continuing entities as at the date of business combinations and hence the acquisition has been accounted for as combination of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Accordingly, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended June 30, 2016 have been restated to include the financial performance, changes in equity and cash flows of PCG Bros Group as if the current group structure upon the completion of the group reorganisation had been in existence throughout the six months ended June 30, 2016, or since their respective dates of incorporation or establishment where this is a shorter period.

The effects of all transactions between the Group and PCG Bros Group, whether occurring before and after the acquisition, are eliminated in preparing the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis at the end of each reporting period.

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described therein.

Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are mandatorily effective for the current period

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current interim period:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's condensed consolidated interim financial information.

4. 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 resource allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

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,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	**9,459,685**	8,256,273
Commissions from concessionaire sales	**55,407**	56,616
	9,515,092	8,312,889

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
Current period:		
Hong Kong Profits Tax *(note i)*	**–**	–
People's Republic of China ("PRC") Enterprise Income Tax ("EIT") *(note ii)*	**167,585**	145,422
Overseas income tax *(note iii)*	**–**	230
	167,585	145,652
(Over) underprovision in prior periods:		
Hong Kong Profits Tax	**–**	–
PRC EIT	**(16,907)**	33,384
Overseas income tax	**–**	(15)
	(16,907)	33,369
Current tax charge – total	**150,678**	179,021
Deferred tax credit	**(12,393)**	(4,930)
	138,285	174,091

notes:

(i) Hong Kong

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

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profits 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 of the PRC and engaged in the business activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the annual revenue accounts for more than 70% of its total revenue for the financial year, is entitled to pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company which are located in the specified provinces of Western Regions of the PRC and engaged in the business activities under the New Catalogue. The Directors 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.

6. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	**1,013,540**	819,095
Operating lease rentals and concessionaire fees in respect of shopping malls/retail stores/warehouses (included in selling and distribution expenses)	**1,176,085**	1,062,985
Depreciation of property, plant and equipment	**143,219**	96,187
Allowance (reversal of allowance) for inventories, net	**87,026**	(26,078)
Release of prepaid lease payments	**2,112**	2,022
Amortisation of intangible assets (included in selling and distribution expenses)	**49,671**	21,516
Net exchange gain (included in other operating income and gains (losses))	**(7,314)**	(5,817)
Subsidies, rebates and other income from suppliers (included in other operating income and gains (losses))	**(77,171)**	(59,934)
(Reversal of impairment loss) impairment loss recognised on trade receivables (included in other operating income and gains (losses))	**(3,498)**	6,321
Impairment loss (reversal of impairment loss) recognised on other receivables (included in other operating income and gains (losses))	**2,031**	(993)
Impairment losses recognised on interest in a joint venture	**–**	579
Loss on disposal of subsidiaries (included in other (losses) gains)	**4,363**	–
Fair value gain on consideration payable for acquisition of business (included in other (losses) gains)	**–**	(15,122)

7. DIVIDENDS

	For the six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2016 final dividend of HK$0.02 per share (six months ended June 30, 2016: no 2015 final dividend)	**92,667**	–

During the current interim period, the Directors declared a final dividend of HK$0.02 per share for the year ended December 31, 2016 (six months ended June 30, 2016: no 2015 final dividend). The final dividend of approximately HK$104,159,000 (equivalent to approximately RMB91,524,000) (six months ended June 30, 2016: nil), was paid on June 16, 2017 to the shareholders of the Company.

Subsequent to the end of the current interim period, the Directors have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2016: 2016 interim dividend of HK$0.02 per share).

8. 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,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**298,612**	371,438

	For the six months ended June 30, 2017 (unaudited)	2016 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,207,943,670**	5,233,364,225
Effect of dilutive potential ordinary shares:		
– Share options	**7,596,554**	11,923,112
– Unvested awarded shares	**42,346,867**	29,823,797
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,257,887,091**	5,275,111,134

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.

9. TRADE AND OTHER RECEIVABLES

	At June 30, 2017 *RMB'000* (unaudited)	At December 31, 2016 *RMB'000* (audited)
Trade receivables	**1,638,333**	1,292,686
Deposits, prepayments and other receivables	**1,118,456**	1,119,660
	2,756,789	2,412,346

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:

	At June 30, 2017 *RMB'000* (unaudited)	At December 31, 2016 *RMB'000* (audited)
0 – 30 days	**1,340,836**	1,028,966
31 – 90 days	**238,229**	207,358
Over 90 days	**59,268**	56,362
	1,638,333	1,292,686

10. TRADE AND OTHER PAYABLES

	At June 30, 2017 *RMB'000* (unaudited)	At December 31, 2016 *RMB'000* (audited)
Trade payables	**165,972**	286,463
Bills payables	**13,907**	203,637
Receipt in advance from customers	**507,690**	457,015
Amounts due to related and connected parties	**4,020**	295,900
Accrued staff costs	**208,641**	265,719
Sales discount and rebate payables	**25,852**	16,538
Other tax payables	**65,199**	66,967
Deposit received for sale of assets classified as held for sale	**5,500**	5,500
Other accruals and payables	**470,774**	408,639
	1,467,555	2,006,378

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, 2017 *RMB'000* (unaudited)	At December 31, 2016 *RMB'000* (audited)
0 – 30 days	**143,692**	445,442
31 – 90 days	**12,687**	6,148
Over 90 days	**23,500**	38,510
	179,879	490,100

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Model and Environment

While the Group has been maintaining its position as the leading distributor of footwear and apparel for international brands, with strong and established presence across the People's Republic of China (the "PRC"), the Group has also been starting to improve and enhance its offline and online operations by converting its current operations to being more adaptive to the PRC's new retailing environment, which are more experiencing and storytelling oriented, bigger format stores expansions and more frequent seasonal promotion activities by events and products.

With the PRC government's strong promotions and policy supports to sports industry in conjunction with its GDP growth and emphasis on quality life, it is the Group's vision that "make sports your life", as the guidance to business developments, could help the Group grow businesses in the PRC more in line with the PRC's sports retailing environments and seize the opportunities of growing businesses both in products selling as well as services offerings.

The solid first step of "make sports your life" is from the fundamental of enhancing current scaled offline operations by the introductions of advanced electronic daily operation supervisory mechanism with timely and precise operating indicators, as well as dedicated supervisory teams to different business regions and brand customers. With solid fundamental offline operation growth, sports services focusing on establishing 365-day communications with sports consumers could be built up via sports services incorporated in the Group's offline stores and online platform, which are the stores franchised by brands and the Group's YY Sports. Certain pilot projects for the enhancements of offline and online operations have been launched in second quarter of this year.

As at June 30, 2017, the Group's nationwide retail network consisted of 5,464 directly operated stores and 3,036 sub-distributor stores.

The Group continued to pursue opportunities with international leisure and fashionable brands. Typically, the brand holders grant the Group rights to develop and market their branded products in designated territories for specified periods of time. The Group currently cooperates with Rockport, GEOX, Carter's, Levi's footwear and PONY, etc.

The operating environment was mixed during the first half of 2017. The PRC's GDP grew over 6.5%, while retail spending grew by double digits during the period under review, especially during the second quarter of 2017. The uptick in economic growth and retail spending, together with rising consumer confidence, supported the Group's retail operations. However, the high growth of sports spending was consumed by more diverse channels and sophisticated manners, which were challenges to the Group's operations if only traditional marketing and sales approaches applied.

The sports retailing environment in the PRC continued to be highly competitive and fragmented, with international brands competing against upcoming domestic brands. Consumers are seeking unique shopping experiences and opportunities to rigorously try out each product's features and comforts in-store. Thus, in order to manage this rapid shift in consumer appetite and preferences, continuous investment is required to develop and upgrade existing branding, store formats and digital channels, which help driving in-store traffic and reinforcing the consumers' experiences. Rising wages, rents and other cost pressures also continued to have a significant impact on the retail business.

Analysis of Performance

Financial Review

For the first half of 2017, the Group recorded revenue of RMB9,515.1 million, representing an increase of 14.5% compared with the corresponding period of last year. Gross profit was RMB3,292.0 million, an increase of 11.3% when compared to the first half of last year. Profit attributable to owners of the Company for the first half of 2017 was RMB298.6 million, a decrease of 19.6% compared with the first half of fiscal year 2016.

Revenue

Total revenue for the Group grew 14.5% to RMB9,515.1 million for the first six months, as compared with the corresponding period of last year. The growth was attributed to the growth in overall store sales, contributions from newly opened stores and new online channels.

Gross Profit

Gross profit for the Group amounted to RMB3,292.0 million, with a gross profit margin of 34.6%. The gross profit grew, however, the gross profit margin decreased compared with the corresponding period of last year due to the increase in allowance for inventories as the clearance of age-long inventories was slower than expected.

Selling and Distribution Expenses and Administrative Expenses

For the first six months, the selling and distribution expenses and administrative expenses of the Group were in aggregate of RMB2,920.4 million, representing 30.7% of total revenue with an increase of 17.0%, compared with the same period last year. To align with brand customers' growth strategy, the management team continued to invest in store expansion and optimisation, store renovations and upgrades, as well as the training of sales staff. These activities led to corresponding increases in staff costs, rental expenses and concession fees.

Operating Profit

The Group's operating profit for the period was RMB505.8 million, while the operating profit margin was 5.3%. The comparative figures for the same period of the last fiscal year were RMB570.6 million and 6.9%, respectively.

Other (losses) gains arising other than operating activities

The Group incurred various (losses) gains from a variety of non-operating activities during the period, amounting to a net loss of RMB4.4 million, which was mainly attributed to the loss on disposal of subsidiaries.

Profit for the Period

Due to the aforementioned reasons, the Group recorded a net profit of RMB311.5 million for the period with a decrease of RMB71.2 million as compared to the first half of last year.

Working Capital Efficiency

The average inventories turnover period for the period was 131 days (2016: 145 days). The decrease in the inventories turnover period was due to more frequent promotion activities and allocation of product portfolio. The Group continues to explore different strategies for managing inventories so as to optimise working capital levels. The average trade receivables turnover period was 28 days (2016: 28 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 10 days (2016: 22 days).

Liquidity and Financial Resources

As at June 30, 2017, the Group had cash and cash equivalents of RMB448.9 million (December 31, 2016: RMB482.6 million) and working capital (current assets minus current liabilities) of RMB3,976.9 million (December 31, 2016: RMB3,858.7 million). Total bank borrowings were RMB2,171.6 million (December 31, 2016: RMB1,375.8 million) and were repayable within one year. Bank borrowings were mainly denominated in Renminbi. The Group's current ratio was 2.06 times (December 31, 2016: 2.03 times), while the Group's gearing ratio represented total interest bearing loans (including amount due to a connected party) as a percentage of total equity was 34.3% (December 31, 2016: 27.2%).

During the period, net cash used in operating activities was RMB111.4 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was RMB297.4 million. Net cash generated from financing activities was RMB366.9 million. During the period, the Group raised and repaid bank borrowings of RMB2,714.7 million and RMB1,914.5 million respectively.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for purchase of furniture, fixtures and equipment and leasehold improvements. During the period under review, the total capital expenditure was RMB277.0 million (2016: RMB143.7 million) and mainly used for mega stores expansions and deposit paid for acquisition of property, plant and equipment. As at June 30, 2017, the Group had no material capital commitments and contingent liabilities.

Foreign Exchange

The Group conducted its business primarily in the PRC, and majority of its transactions are denominated in RMB. As at June 30, 2017, the Group had no significant hedging instruments for managing foreign exchange exposure. As the exchange rate of RMB 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 period under review.

Prospects and Future Developments

The Group's management is confident about the mid-to-long-term prospect of health and leisure retail industry in the Greater China region, as the PRC policy makers steer the economy away from manufacturing and exports towards services and domestic consumption. As consumers become more health conscious, they are likely to spend more on personal health and well-being.

As global athletic, performance and leisure brands allocate more resources to capture market share in the PRC, the Group will further develop its omni-channels and capabilities to guide these brands in handling the complexity, variation and diversity of sports retailing across the PRC marketplace.

The Group cooperates closely with global brands to implement strategic marketing plans, focusing on the Greater China markets. This includes new initiatives and promotions of its directly operated mono-brand and multi-brand stores, sport towns, as well as online sports services platform. These initiatives and promotions will enhance the customers' experience and deliver stronger store efficiency.

By further integrating its sports events marketing and sports facilities management under one platform, and combining this with the right selection of multi-brand product portfolios, the Group aims to enhance the overall consumers' experience and generate repeated sales of products as well as services. For the second half of the fiscal year, the sports services division will focus on managing a series of large-scale sporting events by the categories of running, marathon, basketball and baseball across the Greater China region.

The development of e-commerce channel and digital adoption is one of the Group's core development strategies to drive sales and enhance channel efficiency. The Group will continue to optimise its logistics network, improve its process, operational system and sports services coverage across the PRC. Such efforts are expected to further enhance the Group's overall distribution efficiency and profitability, creating synergies and maximising benefits for our customers, partners, employees and shareholders.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: 2016 interim dividend of HK$0.02 per share).

HUMAN RESOURCES

As at June 30, 2017, the Group had approximately 30,000 employees in total. 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 for employees based on their respective personal career development.

SHARE OPTION SCHEME

The Company adopted a share option scheme which has a term of 10 years commencing on May 14, 2008. In order to provide greater flexibility to the Board in the treatment of outstanding share options held by the grantees in the event that they cease to be participants, certain terms of the share option scheme were amended on March 7, 2012 (the "Share Option Scheme").

As at the date of this announcement, the total number of shares available for issue under the Share Option Scheme is 282,867,810 shares, representing approximately 5.30% of the total number of issued shares of the Company. As at June 30, 2017, an aggregate of 54,349,190 shares are issuable for share options granted under the Share Option Scheme, representing approximately 1.02% of the total number of issued shares of the Company.

SHARE AWARD SCHEME

The Company adopted a share award scheme, certain terms of the share award scheme were duly amended on November 11, 2016 (the "Share Award Scheme"), which 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 4% 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 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 shares).

During the six months ended June 30, 2017, 6,026,000 share awards were granted and 7,432,000 share awards were lapsed under the Share Award Scheme. As at June 30, 2017, an aggregate of 43,723,810 share awards which are subject to certain vesting conditions, remain unvested.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, 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 such shares (six months ended June 30, 2016: 53,186,000 shares).

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed with management and the external auditor of the Company the Group's condensed consolidated interim financial information for the six months ended June 30, 2017, the interim report, the accounting principles and practices adopted by the Group and discussed risk management, internal controls, and financial reporting matters.

Deloitte Touche Tohmatsu, certified public accountants, the external auditor of the Company has reviewed the condensed consolidated interim financial information for the six months ended June 30, 2017 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

Save as disclosed below, the Company has applied the principles of all code provisions of and has complied with all code provisions contained in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2017.

A deviation from code provision A.2.1 of the CG Code — there was no segregation between the role of the chairman of the Company (the "Chairman") and the chief executive officer of the Company (the "CEO") during the period from January 6, 2017 up to February 5, 2017. Upon the resignation of the former CEO, Mr. Kwan, Heh-Der, on January 6, 2017, the role and responsibilities of the CEO were temporarily assumed by the Chairman until Mr. Lee, Shao-Wu, the existing CEO, was appointed as the acting CEO on February 6, 2017. The Company believes that it was only a temporary measure while the Company was actively searching for a replacement to fill in the position. As such, the Board does not consider that no segregation of the roles for such a short period had impaired the balance of power and authority between the Board and the management of the Company given there is a division of responsibilities for each of the individual business operation segments of the Group.

A deviation from code provision F.1.1 of the CG Code — there was no company secretary for the Company (the "Company Secretary") for the period from January 19, 2017 up to May 11, 2017 upon the resignation of the former Company Secretary, Ms. Chong Yim Kuen, on January 19, 2017. The day-to-day tasks of the Company Secretary were carried out by personnel at the Company who possess relevant experience to deal with such tasks. Eventually, Mr. Fan Kam Wing was appointed as the new Company Secretary on May 12, 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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, 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the designated issuer website of Stock Exchange (www.hkexnews.hk). The interim report 2017 of the Company will be dispatched to the Shareholders and available on the above websites in due course.

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 of the Group for their commitment and dedicated services throughout the period.

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, August 11, 2017

As at the date of this announcement, 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. Shan Xue

Website: www.pousheng.com