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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, 2018

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2018	2017	**Percentage increase**
	(unaudited)	(unaudited)	
Revenue *(RMB'000)*	**11,202,006**	9,515,092	**17.7%**
Operating profit *(RMB'000)*	**530,360**	505,753	**4.9%**
Profit attributable to owners of the Company *(RMB'000)*	**306,833**	298,612	**2.8%**
Basic earnings per share *(RMB cents)*	**5.88**	5.73	**2.6%**

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, 2018 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2018

		For the six months ended June 30,	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**11,202,006**	9,515,092
Cost of sales		**(7,445,829)**	(6,223,056)
Gross profit		**3,756,177**	3,292,036
Other operating income and gains (losses)		**161,147**	134,160
Selling and distribution expenses		**(2,995,823)**	(2,591,057)
Administrative expenses		**(391,141)**	(329,386)
Operating profit		**530,360**	505,753
Finance costs		**(72,916)**	(52,065)
Finance income		**3,701**	2,972
Finance costs – net		**(69,215)**	(49,093)
Share of results of joint ventures		**(904)**	(2,472)
Other gains (losses)		**–**	(4,363)
Profit before taxation		**460,241**	449,825
Income tax expense	4	**(142,674)**	(138,285)
Profit for the period	5	**317,567**	311,540
Attributable to:			
Owners of the Company		**306,833**	298,612
Non-controlling interests		**10,734**	12,928
		317,567	311,540
Earnings per share	7		
– Basic		**RMB5.88 cents**	RMB5.73 cents
– Diluted		**RMB5.83 cents**	RMB5.68 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**317,567**	311,540
Other comprehensive expense		
An item that may be reclassified subsequently to profit or loss		
Exchange difference arising on translation of foreign operations	**(41)**	(1,084)
Total comprehensive income for the period	**317,526**	310,456
Attributable to:		
Owners of the Company	**306,794**	297,495
Non-controlling interests	**10,732**	12,961
	317,526	310,456

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2018

	Note	**At June 30, 2018** *RMB'000* **(unaudited)**	At December 31, 2017 *RMB'000* (audited)
Non-current assets			
Investment properties		**94,700**	94,700
Property, plant and equipment		**1,028,210**	1,054,005
Deposit paid for acquisition of property, plant and equipment		**73,513**	51,181
Prepaid lease payments		**110,968**	112,571
Rental deposits and prepayments		**150,596**	154,865
Intangible assets		**440,492**	502,435
Goodwill		**532,550**	532,612
Interests in joint ventures		**38,099**	39,003
Loans to joint ventures		**3,000**	3,000
Available-for-sale investment		**–**	2,190
Equity instrument at fair value through other comprehensive income		**2,177**	–
		2,474,305	2,546,562
Current assets			
Inventories		**5,788,601**	5,589,344
Trade and other receivables	8	**3,310,738**	2,844,993
Taxation recoverable		**533**	2,207
Bank balances and cash		**600,738**	487,004
		9,700,610	8,923,548

	Note	At June 30, 2018 RMB'000 (unaudited)	At December 31, 2017 RMB'000 (audited)
Current liabilities			
Trade and other payables	9	**2,402,529**	2,104,417
Contract liabilities		**225,511**	–
Taxation payable		**152,259**	137,746
Bank borrowings		**2,580,546**	2,532,169
Bank overdrafts		**–**	109,617
		5,360,845	4,883,949
Net current assets		**4,339,765**	4,039,599
Total assets less current liabilities		**6,814,070**	6,586,161
Non-current liability			
Deferred tax liabilities		**126,937**	144,632
Net assets		**6,687,133**	6,441,529
Capital and reserves			
Share capital		**46,553**	46,530
Reserves		**6,572,014**	6,344,162
Equity attributable to owners of the Company		**6,618,567**	6,390,692
Non-controlling interests		**68,566**	50,837
Total equity		**6,687,133**	6,441,529

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 (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").

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

Other than changes in accounting policies resulting from application of new and 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, 2018 are consistent with those of the annual financial statements for the year ended December 31, 2017.

In the current interim period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial statements. Of these, HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 "Financial Instruments", are relevant to the Group's condensed consolidated financial statements. The adoption of HKFRS 15 and HKFRS 9 does not have material impact on the Group's results and financial positions for the current or prior periods. Details of the impacts and changes in accounting policies are discussed in note 2.

2. IMPACTS AND CHANGES IN ACCOUNTING POLICIES

(a) HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

Upon adoption of HKFRS 15, receipt in advance from customers included in trade and other payables amounting to RMB319,879,000 was reclassified to contract liabilities as at the date of initial application, January 1, 2018.

As a result, other than reclassification of contract liabilities, the adoption of HKFRS 15 does not have material impact on when the Group recongises revenue from sales of goods and services.

(b) HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; and (2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

(1) Classification and measurement of financial assets and financial liabilities

The Group elected to present in other comprehensive income for the fair value changes of its equity investment previously classified as available-for-sale investment, of which RMB2,190,000 related to the unquoted equity investment previously measured at cost less impairment under HKAS 39. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB2,190,000 were reclassified from available-for-sale investment previously measured at cost less impairment under HKAS 39 to equity instrument at fair value through other comprehensive income.

The adoption of HKFRS 9 does not have any impact on the classification and measurement of financial liabilities.

(2) *Impairment under ECL model*

HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of loans to joint ventures, other receivables and bank balances and cash, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at January 1, 2018, the Group has assessed and reviewed the existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Hence, no additional impairment loss was identified.

3. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales in the People's Republic of China ("PRC") market. 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 recognised in a point in time:

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	**11,136,790**	9,459,685
Commissions from concessionaire sales	**65,216**	55,407
	11,202,006	9,515,092

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax		
– Current period	**152,759**	167,585
– Underprovision (overprovision) in prior periods	**5,370**	(16,907)
Current tax charge – total	**158,129**	150,678
Deferred tax credit	**(15,455)**	(12,393)
	142,674	138,285

5. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	**1,183,471**	1,013,540
Operating lease rentals and concessionaire fees in respect of shopping malls/retail stores/warehouses (included in selling and distribution expenses)	**1,317,002**	1,176,085
Depreciation of property, plant and equipment	**187,157**	143,219
Allowance for inventories, net	**2,304**	87,026
Amortisation of intangible assets (included in selling and distribution expenses)	**61,918**	49,671
Net exchange gain (loss) (included in other operating income and gains (losses))	**8,681**	(7,314)
Subsidies, rebates and other income from suppliers (included in other operating income and gains (losses))	**(111,935)**	(77,171)

6. DIVIDENDS

	For the six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2017 final dividend of HK$0.02 per share (six months ended June 30, 2017: 2016 final dividend of HK$0.02 per share)	**87,298**	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, 2017 (six months ended June 30, 2017: 2016 final dividend of HK$0.02 per share). The final dividend of approximately HK$106,826,000 (equivalent to approximately RMB87,298,000) (six months ended June 30, 2017: HK$104,159,000 (equivalent to approximately RMB91,524,000)) was paid to the shareholders of the Company (the "Shareholders") during the period.

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, 2017: nil).

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,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**306,833**	298,612

	For the six months ended June 30,	
	2018	2017
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,218,364,892**	5,207,943,670
Effect of dilutive potential ordinary shares:		
– Share options	**5,438,692**	7,596,554
– Unvested awarded shares	**36,366,454**	42,346,867
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,260,170,038**	5,257,887,091

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.

8. TRADE AND OTHER RECEIVABLES

	At June 30, 2018 *RMB'000* (unaudited)	At December 31, 2017 *RMB'000* (audited)
Trade receivables	**1,680,406**	1,609,167
Deposits, prepayments and other receivables	**1,630,332**	1,235,826
	3,310,738	2,844,993

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, 2018 *RMB'000* (unaudited)	At December 31, 2017 *RMB'000* (audited)
0 to 30 days	**1,440,285**	1,417,271
31 to 90 days	**238,093**	181,900
Over 90 days	**2,028**	9,996
	1,680,406	1,609,167

9. TRADE AND OTHER PAYABLES

	At June 30, 2018 *RMB'000* (unaudited)	At December 31, 2017 *RMB'000* (audited)
Trade payables	**458,474**	548,365
Bills payables	**1,822**	14,479
Receipt in advance from customers	**–**	319,879
Deposits from customers	**308,598**	272,994
Amounts due to related and connected parties	**585,294**	6,611
Accrued staff costs	**251,800**	289,480
Sales discount and rebate payables	**30,303**	33,648
Other tax payables	**142,251**	111,877
Other accruals and payables	**623,987**	507,084
	2,402,529	2,104,417

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, 2018 *RMB'000* (unaudited)	At December 31, 2017 *RMB'000* (audited)
0 to 30 days	**454,905**	558,534
31 to 90 days	**4,029**	976
Over 90 days	**1,362**	3,334
	460,296	562,844

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Model and Environment

During the first half of 2018, the Company enhanced the daily management of its retail businesses by introducing a timely performance index system for its management and store staff. It also continued to move toward its vision "Make sports your life!" and its mission "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.".

The crucial strategy for the Company to achieve its mission and vision is to expand and deepen the Company's interaction with consumers from singular interaction to comprehensive 365-day communications. This strategy aims to position the Company as the most valuable partner to sports brand owners by connecting them with consumers through provision of unique experiences, quality services and products at various touchpoints. Thus, a full range and full year schedule of sports services is being organised, including sports events organised by the Company, sponsored by sports brand owners, licensed by sports events companies, and supported by local governments across the Greater China region.

During the first half of 2018, the Company has made further progress towards these goals by strengthening the digitalisation of sales and operational analysis, expanding its membership outreach programs and better integrating business intelligence, especially for inventory and logistics, within its omni-channels. The Company also continued to upgrade its existing brick and mortar stores and shorten its sales cycle. As at June 30, 2018, the Group's retail network consisted of 5,531 directly-operated stores and 3,417 sub-distributor stores across the Greater China region.

The Company has made considerable headway in improving its inventory management through better control and planning of procurement practices, creating new online and offline sales channels, and developing a clearance plan with supports from the brand owners. These resulted in a healthy improvement in inventory turnover days during the first half of 2018.

In order to capture the full benefits of the growing athleisure trend, the Company will continue to open more experience-rich physical stores that integrate a number of in-store sports services, while enhancing its online offerings with selective third-party online platforms. The Company's upcoming mobile app (scheduled to be launched in the second half of 2018) and online interfaces with consumers through local social community platforms, featuring sports services content and an additional omni-sales channel, will also help to anchor the Company's future growth.

The Group's future growth will also be supported by a number of macroeconomic factors, as well as policies being enacted by the PRC government. In the first half of 2018, the total retail sales of consumer goods in the PRC reached RMB18.0 trillion with an increase of 9.4% compared with the same period of last year, according to the National Bureau of Statistics of the PRC. The General Administration of Sports of China also released new development plans for various individual sports, including marathon, biking and fencing during the first half of 2018 – the latest examples of the PRC government's promotional agenda for the sports industry, which will directly support the development of the sporting goods and sports services industry across the PRC.

Despite the above, the sports retailing environment in the PRC remains highly competitive and fragmented. Although e-commerce sales will continue to grow quickly, traditional offline retail channels will remain irreplaceable and be important sales touchpoints as consumers are still seeking unique and personalised shopping experiences for products and services. The Company will continue to invest a large amount in upgrading and integrating its physical stores and digital channels to reinforce the consumer experience and stimulate higher-margin, in-season sales, while also fulfilling the ever-changing shopping habits of end consumers. This will result in higher cost pressures, such as increased wages for hiring and retaining experienced front line sales-staff and higher rental costs for larger-format stores with more experience-driven facilities, among others. These investments are inevitable to ensure that the Company is able to maintain its competitive advantages and to increase market awareness.

Given the well-defined long-term vision and mission, the Company is confident that it can overcome various challenges and manage rising costs in long term in order to capture the promising long-term opportunities.

Analysis of Performance

Financial Review

In the first half of 2018, the Group recorded revenue of RMB11,202.0 million, representing an increase of 17.7% compared with the corresponding period of last year. Gross profit was RMB3,756.2 million, an increase of 14.1% when compared to the corresponding period of last year. Profit attributable to owners of the Company for the first half of 2018 was RMB306.8 million, an increase of 2.8% compared with the corresponding period of last year.

Revenue

The Group's total revenue grew 17.7% to RMB11,202.0 million for the six months ended June 30, 2018, as compared with the corresponding period of last year. This growth was attributed to higher overall store sales amid quality openings, as well as rapidly growing online platforms.

Gross Profit

The Group's gross profit for the first half of 2018 amounted to RMB3,756.2 million, with a gross profit margin of 33.5%. The gross profit margin decreased slightly by 1.1 percentage points as compared to same period last year mainly due to the change of channel mix, increased discounts and clearance sales for emerging brands.

Selling and Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in the first half of 2018 were RMB3,387.0 million, which represented 30.2% of total revenue, an increase of 16.0%, compared with the corresponding period of last year. The Group continued to invest in new concept stores and store upgrades in order to align with the growth strategies of the brand owners in China. It also continued to invest in the optimisation of its distribution and digital channels, as well as in the motivation of its sales team. These activities led to a corresponding increase in staff costs, rental and depreciation expenses.

Operating Profit

The Group's operating profit in the first half of 2018 was RMB530.4 million, with an operating profit margin of 4.7%, compared to an operating profit of RMB505.8 million and operating margin of 5.3% in the corresponding period of last year.

Profit for the Period

Due to the aforementioned reasons, the Group recorded a net profit of RMB317.6 million in the first half of 2018, an increase of 2.0% compared to the net profit of RMB311.5 million in the corresponding period of last year.

Working Capital Efficiency

The average inventory turnover period for the first half of 2018 was 139 days (2017: 149 days). The decrease in the inventory turnover period was attributable to a better control of procurement practices and clearance plans. The Group is continuing to diligently manage inventory levels to optimise the working capital cycle. The average trade receivables turnover period in the first half of 2018 was 27 days (2017: 28 days), which remained consistent with the credit terms of 30 to 60 days that the Group extends to its department store counters and retail distributors. The average trade and bills payables turnover period in the first half of 2018 was 13 days (2017: 16 days).

Liquidity and Financial Resources

As at June 30, 2018, the Group maintained cash and cash equivalents of RMB600.7 million (December 31, 2017: RMB377.4 million) and working capital (current assets minus current liabilities) of RMB4,339.8 million (December 31, 2017: RMB4,039.6 million). Total bank borrowings were RMB2,580.5 million (December 31, 2017: RMB2,532.2 million) and were repayable within one year. Bank borrowings were mainly denominated in RMB and so were cash and cash equivalents.

The Group's gearing ratio as of June 30, 2018, represented by total interest-bearing loans (including the amounts due to related and connected parties) as a percentage of total equity, was 47.3% (December 31, 2017: 41.0%). The Group's net debt to equity ratio as of June 30, 2018, represented by total interest-bearing loans (including the amounts due to related and connected parties) minus bank balances and cash as a percentage of total equity, was 38.3% (December 31, 2017: 33.5%).

During the first half of 2018, the net cash used in operating activities was RMB63.0 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 2018 was RMB192.1 million, while the net cash generated from financing activities was RMB478.6 million. During the first half of 2018, the Group raised and repaid bank borrowings of RMB2,981.1 million and RMB2,932.4 million respectively.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for upgrading existing store formats, expanding new concept and mega stores and resources injected into its online and sports services platform. During the first half of 2018, the total capital expenditure was RMB216.7 million (first half of 2017: RMB277.0 million). As at June 30, 2018, the Group had no material capital commitments and contingent liabilities.

Foreign Exchange

The Group conducted its business primarily in the Greater China region and the majority of its transactions are denominated in RMB. As at June 30, 2018, the Group had no significant hedging instruments for managing its 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, 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 with the Group's internal policies and guidelines during the first half of 2018.

Privatisation

As the proposal requested by Pou Chen Corporation for the privatisation of the Company by way of a scheme of arrangement (the "Proposal" and the "Scheme", respectively) was not approved by certain disinterested scheme Shareholders at the Court meeting held on April 9, 2018, the Proposal and the Scheme lapsed. Thus, the Proposal was not implemented, the Scheme did not become effective and the shares of the Company remain listed on the Stock Exchange.

Prospects and Future Developments

The Group's management is cautiously optimistic about the long-term growth opportunities in the sportswear market, given increasing health awareness, higher sports participation rates and the growth of the athleisure trend in the Greater China region, while also remaining cautious about fast-changing market conditions. The Group's omni-channel distribution strategy will continue to benefit from the favourable environment being fostered by official government supports for popularisation of sport activities as the PRC's economy shifts away from over-dependence on investments and exports towards more sustainable growth based on higher domestic consumption, including increased spendings on sport and cultural activities.

The prospects for sportswear market are significant: by 2020, the added value of the sports industry in the PRC could exceed 1% of the national GDP, and the overall scale of the sports industry is expected to reach more than RMB3.0 trillion, RMB5.0 trillion, and RMB8.0 trillion by 2020, 2025 and 2030 respectively, according to the General Administration of Sports of China.

The Company will continue to organise various sports events across the Greater China region, as well as events licensed by sports event companies, organised with local governments or global brand partners. These may include but are not limited to the following:

- "Go Wild" trail run tournament
- "Dou Dao Di" 3 on 3 basketball league
- HOOD to COAST marathon relay
- Kunshan Marathon, a cross Strait focused annual marathon event
- YYsports online virtual running
- Mini baseball training camp coached by Taiwan baseball superstar players
- Running, basketball, baseball, rock climbing etc. training programs

The Group will further synchronise the traditional and experiential retail platforms, improve its operational management, utilise big data to analyse and respond to shifting consumer purchasing behavior, and roll-out new concept stores that combine sales of goods with personalised services, including professional sports training and after-sales training. As customers increasingly seek to visit physical stores for specific purposes, and in order to capture the rising disposable income and purchasing power in lower-tier cities, the Group also has more flexibility to plan and open new concept stores in suburbs, apart from prime locations.

The Group will further develop its digital platform and business intelligence systems to better support inventory management and optimise its resources so as to improve the efficiency of working capital. It will continue to integrate and upgrade its omni-channel sales and distribution network, loyalty programs and membership engagements, as well as its operational systems, to support the execution of sports services and events across the Greater China region. This includes the upcoming launch of a YYsports mobile app featuring sports services content and as an additional online sales channel, further enriching the Group's offerings so as to increase customer loyalty to YYsports' omni-channels.

The Group will continue to make headway towards achieving its goal of expanding the scale of its interaction with consumers to 365-day communications. It will continue to expand its range of quality products and services through cooperating with potential online operator partners, as well as through customising SMUs (i.e. special make-up units) and crossover products for brand partners and sports events. This should result in a better sell-through for products and more in-depth communications with end consumers, while also establishing a valuable sports services platform for serving end consumers and sports brand owners better.

The Group continues to foresee a challenging business environment and intensifying competition in the remaining part of the year. However, through the efforts outlined above the Group expects to further enhance its performance and profitability, optimise its resources and maximise returns for its customers, partners, employees and shareholders, although some short-term turbulence may be experienced before these outcomes are achieved.

Human Resources

As at June 30, 2018, the Group had approximately 30,300 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: nil).

SHARE OPTION SCHEME

The share option scheme of the Company was adopted by 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.

As at June 30, 2018, an aggregate of 15,566,000 ordinary Shares have been issued and an aggregate of 32,262,190 ordinary Shares, representing approximately 0.60% of the total number of issued Shares, are issuable on the exercise of share options for share options granted under the Share Option Scheme.

SHARE AWARD SCHEME

The share award scheme was adopted on May 9, 2014 and duly amended on November 11, 2016, which is valid and effective for a term of 10 years commencing on May 9, 2014 (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. The total number of shares to be awarded under the Share Award Scheme shall not exceed 4% of the issued shares of the Company 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 shall not exceed 1% of the issued shares 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 dividend).

During the six months ended June 30, 2018, 2,883,000 share awards lapsed or were cancelled and 4,935,000 shares awards were vested under the Share Award Scheme. No share awards were granted during the period. As at June 30, 2018, an aggregate of 33,261,130 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, 2018, 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, 2017: nil).

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, 2018, 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, the independent auditor of the Company has reviewed the unaudited condensed consolidated financial information for the six months ended June 30, 2018 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

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, 2018.

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, 2018.

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 the Stock Exchange (www.hkexnews.hk). The interim report 2018 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 10, 2018

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