

INTERIM REPORT 2023 中期報告



胜道^{OM}体育

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

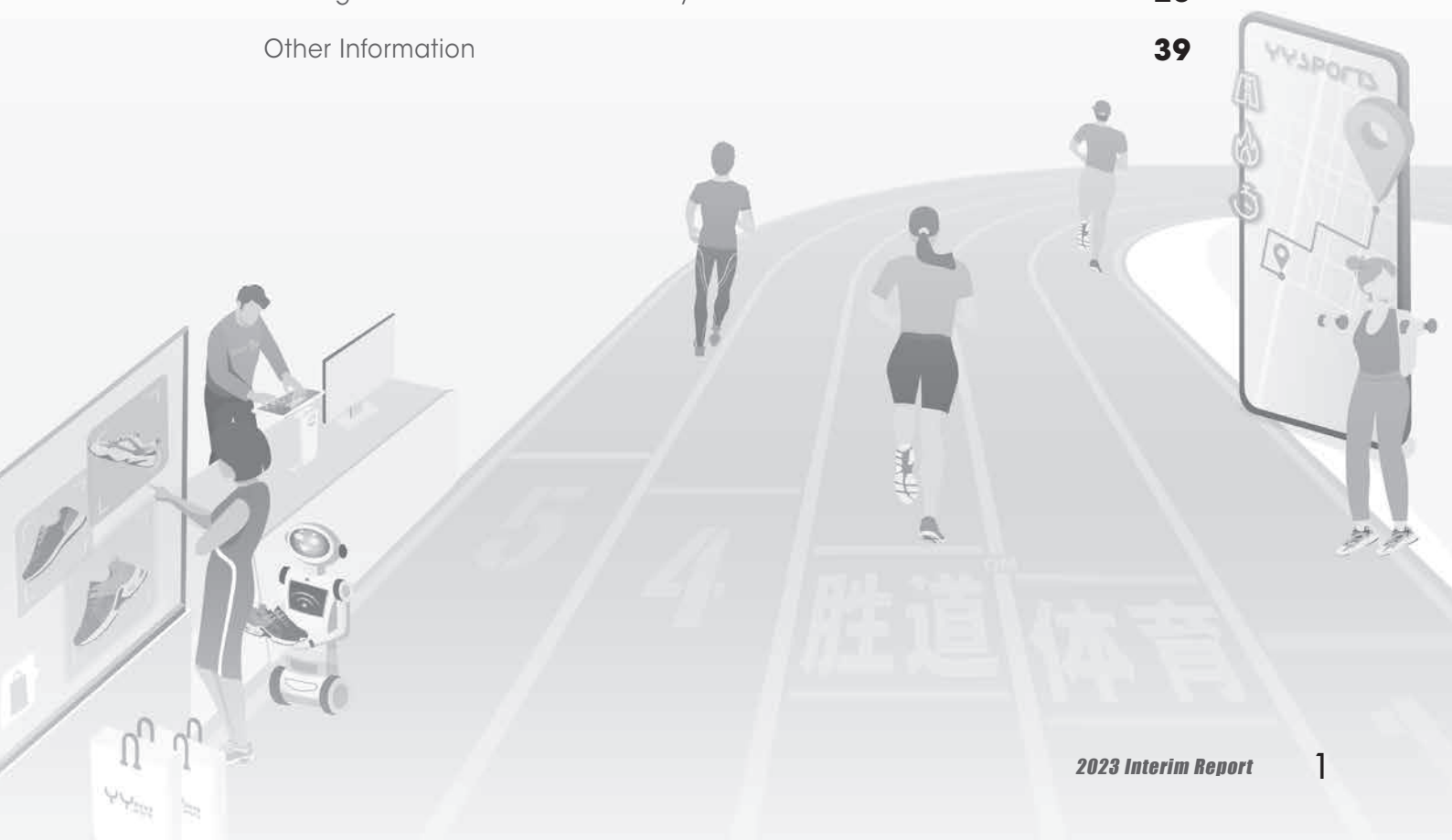
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號:3813)



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CORPORATE INFORMATION

(As of August 11, 2023)

DIRECTORS

Executive Directors

Yu Huan-Chang (Chairman)
Liao, Yuang-Whang
Hu, Chia-Ho

Non-executive Directors

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors

Chen, Huan-Chung
Feng Lei Ming
Liu, Hsi-Liang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Liu, Hsi-Liang (Chairman)
Chen, Huan-Chung
Li I-nan

NOMINATION COMMITTEE

Feng Lei Ming (Chairman)
Chen, Huan-Chung
Hu, Chia-Ho

DISCLOSURE COMMITTEE

Yu Huan-Chang (Chairman)
Liao, Yuang-Whang
Hu, Chia-Ho

AUTHORISED REPRESENTATIVES

Yu Huan-Chang
Yip Wing Ming

CHIEF EXECUTIVE OFFICER

Wang Jun

COMPANY SECRETARY

Yip Wing Ming

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 LLP

PRINCIPAL BANKERS

Australia and New Zealand Bank (China)
Company Limited
Australia and New Zealand Banking Group
Limited
Citibank (China) Co., Limited
Industrial and Commercial Bank of China Limited
Mizuho Bank (China), Limited
Mizuho Bank, Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (Taiwan) Limited
Taipei Fubon Commercial Bank Company Limited
Taishin International Bank Company Limited
United Overseas Bank Limited

WEBSITE

www.pousheng.com

STOCK CODE

3813



THE GROUP'S FINANCIAL HIGHLIGHTS

For the six months ended June 30,			
Financial performance	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	Change
Revenue	10,960,001	9,864,815	11.1%
Gross profit	3,670,684	3,495,946	5.0%
Operating profit	472,818	208,329	127.0%
Profit attributable to owners of the Company	305,465	17,413	1,654.2%
Gross profit margin (%)	33.5%	35.4%	-1.9 ppt
Operating profit margin (%)	4.3%	2.1%	2.2 ppt
Basic earnings per share (RMB cents)	5.90	0.34	1,635.3%
Dividend per share - interim dividend (HK\$)	0.0185	-	N/A
As at			
Financial position	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)	Change
Inventories	4,672,120	6,071,858	-23.1%
Trade and other receivables	2,529,744	2,149,713	17.7%
Cash and cash equivalents	2,024,918	1,190,148	70.1%
Bank borrowings	91,991	456,162	-79.8%



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 (collectively referred to as the "Group") set out on pages 6 to 27, which comprises the condensed consolidated statement of financial position as of June 30, 2023 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 ("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 are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 11, 2023

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2023 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED JUNE 30, 2023

		For the six months ended June 30,	
	NOTES	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	10,960,001	9,864,815
Cost of sales		(7,289,317)	(6,368,869)
Gross profit		3,670,684	3,495,946
Other operating income and gains (losses)		112,480	164,243
Selling and distribution expenses		(2,913,620)	(3,075,931)
Administrative expenses		(396,726)	(375,929)
Operating profit		472,818	208,329
Finance costs	5	(49,513)	(91,451)
Finance income		14,159	10,583
		(35,354)	(80,868)
Other losses		-	(6,274)
Profit before taxation		437,464	121,187
Income tax expense	4	(118,497)	(97,000)
Profit for the period	5	318,967	24,187
Attributable to:			
Owners of the Company		305,465	17,413
Non-controlling interests		13,502	6,774
		318,967	24,187
Earnings per share	7		
- Basic		RMB5.90 cents	RMB0.34 cent
- Diluted		RMB5.90 cents	RMB0.34 cent



INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Profit for the period	318,967	24,187
Other comprehensive expense		
<i>An item that will not be reclassified to profit or loss</i>		
Fair value loss on investments in equity instrument at fair value through other comprehensive income	-	(1,155)
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(1,988)	(727)
Other comprehensive expense for the period	(1,988)	(1,882)
Total comprehensive income for the period	316,979	22,305
Attributable to:		
Owners of the Company	303,477	15,531
Non-controlling interests	13,502	6,774
	316,979	22,305

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2023

	NOTES	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Non-current assets			
Investment properties		87,700	87,700
Property, plant and equipment	8	810,690	886,396
Right-of-use assets	8	2,022,871	2,281,544
Deposits paid for acquisition of property, plant and equipment		30,205	36,934
Rental deposits		128,324	143,467
Intangible assets	8	70,737	61,815
Goodwill		522,163	522,163
Interests in joint ventures		-	-
Equity instrument at fair value through other comprehensive income		1,854	1,813
Deferred tax assets		115,675	161,321
		3,790,219	4,183,153
Current assets			
Inventories		4,672,120	6,071,858
Trade and other receivables	9	2,529,744	2,149,713
Taxation recoverable		2,451	3,989
Bank deposits over 3 months		200,000	-
Cash and cash equivalents		2,024,918	1,190,148
		9,429,233	9,415,708



INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AT JUNE 30, 2023

	NOTES	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Current liabilities			
Trade and other payables	10	2,152,978	2,190,904
Contract liabilities		439,058	447,916
Taxation payable		28,954	71,599
Bank borrowings		91,991	456,162
Lease liabilities		671,730	774,164
		3,384,711	3,940,745
Net current assets		6,044,522	5,474,963
Total assets less current liabilities		9,834,741	9,658,116
Non-current liabilities			
Deferred tax liabilities		23,750	24,569
Lease liabilities		1,298,634	1,439,627
		1,322,384	1,464,196
Net assets		8,512,357	8,193,920
Capital and reserves			
Share capital	11	46,438	46,438
Reserves		8,372,750	8,067,815
Equity attributable to owners of the Company		8,419,188	8,114,253
Non-controlling interests		93,169	79,667
Total equity		8,512,357	8,193,920

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Equity attributable to owners of the Company															
	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	Reserve on instrument at FVTOCI RMB'000	Shares held under share award scheme RMB'000	Share award 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	Total equity RMB'000
At January 1, 2022 (audited)	46,438	5,145,233	676,506	(1,492,936)	55,395	29,544	6,381	721	(217,103)	8,246	817,869	(11,782)	3,030,952	8,095,464	106,732	8,202,196
Fair value loss on investments in equity instrument of fair value through other comprehensive income	-	-	-	-	-	-	-	(1,155)	-	-	-	-	-	(1,155)	-	(1,155)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(727)	-	(727)	(727)	-	(727)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	17,413	17,413	17,413	6,774	24,187
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(1,155)	-	-	(727)	17,413	15,531	6,774	22,305	
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	2,610	-	-	-	2,610	-	2,610	
Share award vested	-	-	-	-	-	-	-	7,580	(5,196)	-	-	(2,384)	-	-	-	
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	-	-	-	-	-	(70,805)	(70,805)	-	(70,805)	
Transfer	-	-	-	-	-	-	-	-	-	77,816	-	(77,816)	-	-	-	
At June 30, 2022 (unaudited)	46,438	5,145,233	676,506	(1,492,936)	55,395	29,544	6,381	(434)	(209,523)	5,660	895,685	(12,509)	2,897,360	8,042,800	113,506	8,156,306
At January 1, 2023 (audited)	46,438	5,145,233	676,506	(1,484,754)	55,395	29,544	6,381	(434)	(207,701)	4,742	1,072,872	(13,572)	2,783,603	8,114,253	79,667	8,193,920
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(1,988)	-	(1,988)	(1,988)	-	(1,988)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	305,465	305,465	305,465	13,502	318,967
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-	(1,988)	305,465	303,477	13,502	316,979	
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	1,458	-	-	-	1,458	-	1,458	
Share award vested	-	-	-	-	-	-	-	523	(375)	-	-	(148)	-	-	-	
Transfer	-	-	-	-	-	-	-	-	-	27,717	-	(27,717)	-	-	-	
At June 30, 2023 (unaudited)	46,438	5,145,233	676,506	(1,484,754)	55,395	29,544	6,381	(434)	(207,178)	5,825	1,100,589	(15,560)	3,061,203	8,419,188	93,169	8,512,357



INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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, after reattribution of relevant reserve.
- (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 profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net cash from operating activities	2,020,955	324,083
Net cash used in investing activities		
Placement of bank deposits over 3 months	(200,000)	-
Payment for acquisition of property, plant and equipment/deposits paid for acquisition of property, plant and equipment	(157,277)	(143,806)
Payment for acquisition of intangible assets	(13,298)	-
Payments for right-of-use assets	(1,371)	(2,017)
Refund for rental deposits	22,072	16,755
Interest received	14,159	10,583
Proceeds from disposal of property, plant and equipment	3,011	8,410
Advance to a non-controlling interest of a subsidiary	-	(34,000)
Repayment of advance to a non-controlling interest of a subsidiary	-	34,000
	(332,704)	(110,075)
Net cash used in financing activities		
Repayments of bank borrowings	(788,698)	(1,410,311)
Repayments of leases liabilities, including related interests	(480,425)	(615,010)
Interest paid on bank borrowings and advance from a related party	(6,680)	(36,673)
New bank borrowings raised	422,491	1,930,672
Dividends paid	-	(70,805)
	(853,312)	(202,127)



INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net increase in cash and cash equivalents	834,939	11,881
Cash and cash equivalents at beginning of the period	1,190,148	1,233,783
Effect of foreign exchange rate changes	(169)	(1,690)
	2,024,918	1,243,974
Cash and cash equivalents at end of the period, represented by		
Cash and cash equivalents	2,024,918	1,236,716
Cash and cash equivalents included in assets classified as held for sale	-	7,258
	2,024,918	1,243,974



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 amounts or fair values, as appropriate.

Other than additional/change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended December 31, 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

Except as described below, the application of the new and amendments to HKFRSs in the current interim 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.

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

2.1.1 Accounting policies

The application of Amendments to HKAS 12 results in change in accounting policy for taxation:

Taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (continued)

2.1.2 Transition and summary of effects

As disclosed in the Group’s annual financial statements for the year ended December 31, 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The Group recognised the deferred tax assets associated with the lease liabilities of approximately RMB703.8 million and RMB553.3 million as at January 1, 2022 and December 31, 2022 respectively and deferred tax liabilities associated with the right-of-use assets of approximately RMB671.9 million and RMB520.7 million as at January 1, 2022 and December 31, 2022 respectively on a gross basis but it has no impact on the Group’s financial position as the related deferred tax assets and liabilities continues to offset for the purpose of presentation in the condensed consolidated statement of financial position. There is also no impact on the Group’s performance and the accumulated profits at the earliest period presented.



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

In addition, the Group has applied Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the Group’s consolidated financial statements for the year ending December 31, 2023.

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending December 31, 2023.



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 executive directors of the Company, for the purposes of performance assessment and resource allocation.

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	10,897,233	9,807,723
Commissions from concessionaire sales	62,768	57,092
	10,960,001	9,864,815

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax		
- Current period	88,930	103,746
- (Over)underprovision in prior periods	(15,260)	9,297
Withholding tax on dividend	-	13,635
Current tax charge - total	73,670	126,678
Deferred tax charge (credit)	44,827	(29,678)
	118,497	97,000



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. FINANCE COSTS/PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
(a) Finance costs		
Interest expenses on bank borrowings	5,250	33,733
Interest expenses on advance from a related party	72	61
Interest expenses on lease liabilities	44,191	57,657
	49,513	91,451
(b) Profit for the period		
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	1,193,904	1,258,961
Depreciation of right-of-use assets	452,947	568,551
Depreciation of property, plant and equipment	189,048	254,500
Net changes in allowance for inventories (included in cost of sales)	(15,357)	84,006
Amortisation of intangible assets (included in selling and distribution expenses)	4,376	4,219
Gross rental income from investment properties, net of direct expenses	(2,000)	(2,012)
Loss on disposal/written off of property, plant and equipment (included in other operating income and gains (losses))	18,288	5,600
Impairment losses recognised on trade and other receivables, net (included in other operating income and gains (losses))	9,826	3,455
Impairment losses recognised on property, plant and equipment (included in other losses)	-	2,471
Impairment losses recognised on right-of-use assets (included in other losses)	-	3,803



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. FINANCE COSTS/PROFIT FOR THE PERIOD (continued)

(b) Profit for the period (continued)

For the six months ended June 30, 2023 and 2022, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

6. DIVIDENDS

	For the six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Dividends recognised as distribution during the period:		
2022 final dividend of nil per share (six months ended June 30, 2022; 2021 final dividend of HK\$0.016 per share)	-	70,805

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK\$0.0185 per share amounting to HK\$98,534,000 in aggregate (six months ended June 30, 2022: nil) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on Thursday, September 14, 2023.



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,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	305,465	17,413

	For the six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,176,758,596	5,172,690,740
Effect of dilutive potential ordinary shares:		
- Unvested awarded shares	4,103,788	5,800,905
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,180,862,384	5,178,491,645

For the purpose of computation of basic earnings per share, 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.



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

During the current interim period, the Group acquired property, plant and equipment of RMB134,561,000 (six months ended June 30, 2022: RMB109,165,000).

During the current interim period, the Group has disposed of/written off certain property, plant and equipment with an aggregate carrying amount of RMB21,299,000 (six months ended June 30, 2022: RMB14,010,000) for cash proceeds of RMB3,011,000 (six months ended June 30, 2022: RMB8,410,000), resulting in a loss on disposal/written off of RMB18,288,000 (six months ended June 30, 2022: RMB5,600,000).

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 (six months ended June 30, 2022: 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 resulting from new leases and lease modifications amounting to RMB113,826,000 and RMB195,007,000, respectively (six months ended June 30, 2022: RMB109,130,000 and RMB170,030,000, respectively). The Group derecognised the right-of-use assets resulting from lease modifications amounting to RMB114,604,000 (six months ended June 30, 2022: RMB59,520,000).

At the end of the current interim period, capital expenditure in respect of acquisition of property, plant and equipment and intangible assets contracted for but not provided in the condensed consolidated financial statements as was RMB53,775,000 (December 31, 2022: RMB62,728,000), and the Group entered into new leases for several retail stores that have not yet commenced, with an average non-cancellable period ranging from 1 to 3 years (December 31, 2022: 1 to 3 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB7,640,000 (December 31, 2022: RMB21,391,000).

During the current interim period, the Group incurred RMB13,298,000 (six months ended June 30, 2022: nil) for computer software recorded under intangible assets.



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods 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 credit losses, presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0 - 30 days	966,480	820,300
31 - 90 days	49,638	41,784
	1,016,118	862,084

10. TRADE AND OTHER PAYABLES

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

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0 - 30 days	873,542	518,651
31 - 90 days	1,581	745
Over 90 days	-	300,000
	875,123	819,396

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At January 1, 2022, June 30, 2022, January 1, 2023 and June 30, 2023	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2022 and June 30, 2022, January 1, 2023 and June 30, 2023	5,326,179,615	53,261
	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Shown in the condensed consolidated financial statements	46,438	46,438



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. SHARE AWARD SCHEME

The Company's share award scheme was adopted pursuant to a board resolution passed on May 9, 2014 and amended on November 11, 2016. Movements in the number of share awards outstanding are as follows:

	Number of share awards	
	2023	2022
As at January 1, (audited)	8,163,000	15,967,500
Vested	(377,400)	(5,464,000)
Lapsed	(126,400)	(443,500)
As at June 30, (unaudited)	7,659,200	10,060,000

A total of 149,331,360 ordinary shares of the Company were held by the trustee of the Share Award Scheme as at June 30, 2023 (December 31, 2022: 149,708,760 ordinary shares).

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. RELATED PARTY DISCLOSURES

Transactions and balances

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

		For the six months ended June 30,	
Relationship	Nature of transactions	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<i>Intermediate holding company:</i>			
Yue Yuen and its subsidiaries	Purchase of footwear products by the Group	-	1,903
	Operating lease payment paid by the Group	644	614
	Management fees charged to the Group	2,777	2,443
<i>Companies owned by a trust set up for the benefits of the family members of a director of the Company and the director is one of the ultimate beneficiaries of the trust:</i>			
Hung Tak Investment Limited	Operating lease payment paid by the Group	1,693	1,693
Non-controlling interest of a subsidiary	Sales of sportswear products by the Group	16,160	21,082
	Interest income charged by the Group	-	890
	Interest expense charged to the Group	72	61



INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. RELATED PARTY DISCLOSURES (continued)

Transactions and balances (continued)

Relationship	Nature of balances	At	At
		June 30, 2023	December 31, 2022
		RMB'000 (unaudited)	RMB'000 (audited)
<i>Ultimate holding company:</i>			
Pou Chen Corporation and its subsidiaries	Other payables of the Group	37	24
<i>Intermediate holding company:</i>			
Yue Yuen and its subsidiaries	Other payables of the Group	144	1,801
Non-controlling interest of a subsidiary	Trade receivable of the Group	3,918	-
	Other payables of the Group	2,800	2,800



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Environment

For the six months ended June 30, 2023 (the “Period”), the Group saw decent recovery momentum with increased foot traffic to its brick and mortar (“B&M”) channels and improved purchasing intent following the lifting of all control measures in mainland China. It also benefited from a low base effect stemming from the escalation of lockdowns in the same period of last year. Further, sales recovery in the footwear and apparel retail sector showed signs of outperforming the recovery of overall consumer spending in mainland China. According to the National Bureau of Statistics of China, consumption of garments, footwear, hats and knitwear rose 12.8% year-on-year in the first half of 2023, compared to a 8.2% recovery in total retail sales of consumer goods.

Meanwhile, the Group’s omni-channels remained robust during the Period, with its private domain channels, including its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms seeing a strong sales growth of over 50%. This resilience demonstrated the effectiveness of the Group’s ongoing digital transformation and how its implementation is incrementing and complementing offline sales.

As the Group continues to position itself to take full advantage of economic recovery in the Greater China region, the Group is continuing to be highly agile and flexible in its decision-making and in progressing its retail refinement strategy. This includes further streamlining and rightsizing its B&M network while strengthening its online public and private traffic domains to diversify its channel mix, in order to facilitate clearance of slow-moving merchandise and to enhance cash conversion efficiency. Amid the volatile market environment, it continues to focus on conversion rates and in-season full-price sales, while deepening its engagement with customers and improving its operational efficiency. The Group also continues to intensify its collaboration with its brand partners to create a seamless shopping experience for its customers in a way that prioritises healthier sales while enhancing membership program and inventory integration.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Hybrid Channel Management - B&M

Sales momentum in the Group's B&M network has been recovering since the lifting of all control measures. Overall B&M performance was fuelled by improving yet still unstable offline traffic and is also being enhanced by a low base effect, although the influence of this varies considerably from month to month according to lockdown conditions in different regions of mainland China in the corresponding period of 2022. Throughout the Period, the Group continued to progress its retail refinement strategy, closing or upgrading underperforming stores, while adopting a holistic view towards new store openings: optimising its investment returns as a whole by prioritising geographic regions with an outstanding operating track record and convincing potential, with stores only being opened following a thorough assessment and not only in accordance with allocations from brands. As at June 30, 2023, the Group had 3,723 directly operated stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	June 30, 2023	June 30, 2022
At the beginning of the period	4,093	4,631
Net decrease	(370)	(176)
At the end of the period	3,723	4,455

Numbers and percentages of directly operated stores by size as at:

	June 30, 2023		June 30, 2022	
	Number	%	Number	%
Selling area				
300 m ² or smaller	2,988	80.3	3,702	83.1
Larger than 300 m ²	735	19.7	753	16.9
Total	3,723	100.0	4,455	100.0



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Hybrid Channel Management - B&M (continued)

B&M retail channels remain a critical and irreplaceable sales touchpoint for consumers in the Greater China region who want to discover new products and experience a unique, personalised and seamless shopping experience for sports products and services. During the Period, the Group continued to invest in optimising store formats and accelerated its digital transformation by integrating its WeChat stores, membership programmes and other digital services and tools into its B&M network, which, in turn, enriched the consumer experience and stimulated higher units per transaction and average transaction value. The Group continued investing in enhancing repeat purchases and higher-margin in-season sales within its core offline network, albeit the tentative higher sales contribution from discounted stores.

Hybrid Channel Management - Omni-channels

The Group's omni-channels include its public traffic domains, covering the operation of third-party platforms such as Tmall, JD and Vipshop, as well as its increasingly important private traffic domain - the Pan-WeChat Ecosphere - which covers its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms. During the Period, the Group continued to strengthen and grow its omni-channels, further deepening and expanding its engagement with shoppers while delivering better operational efficiency.

The Group's online sales momentum has proven to be highly robust, pushing revenue growth and effective inventory management despite the return of foot traffic to its B&M network and recovering offline sales. Its omni-channels collectively contributed approximately 25% of total sales during the Period, a relatively high level as compared to 21% of total sales in the same period last year during which its offline channels were adversely affected by control measures.

As the Group further elevated its digital operation capabilities, its private traffic domain channels, in particular, experienced strong sales growth during the Period with the Pan-WeChat Ecosphere proving to be an increasingly lucrative and effective sales channel that is successfully delivering better conversion rates, shorter sales cycles and more full-price in-season sales transacted at an earlier time for its direct business.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Hybrid Channel Management - Omni-channels (continued)

The Group's WeChat stores also serve as an extension of its B&M network, providing quality and comprehensive customer services. Within the Pan-WeChat Ecosphere, the Group has optimised the scope of its Douyin live-streams conducted by designated Key Opinion Staff during the Period, further localising content from the regional level to the store level. It also continued to embed value-added services, diverse content and member-exclusive benefits stemming from its integrated membership programmes with its brand partners into the Pan-WeChat Ecosphere to achieve quality incremental sales. It will continue to invest in and allocate more resources to its private traffic domain channels to generate sustainable consumer loyalty, boosted by the provision of more membership-related services.

Enhanced Strategic Alliances with Business Partners

The Group further deepened its strategic partnerships with its brand partners, particularly in areas such as providing an impeccable and diverse shopping experience and consumer connectivity. Leveraging its YYsports WeChat Mini-Program in the Greater China region, the Group continued to boost its membership programmes while offering diversified sports services content, interactive features and other related services to support in-depth membership management and to facilitate a premium and seamless online and offline customer experience. Through the increased integration and direct connection of its membership programmes with brand partners, it further supported membership growth and increased in-season sell-through.

Moreover, the Group continued to reinforce its product-sharing platform ("PSP") and enhance its Omni-Hub programme with brand partners to efficiently share products and services across different platforms and channels to optimise its inventory mix, accelerate its sales, facilitate a virtuous inventory cycle and optimise its services to loyal members and consumers.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Strengthened Operational Excellence with Digital Transformation

During the Period, the Group invested further in upgrading its Enterprise Resource Planning (“ERP”) system, business intelligence platform, PSP and other digital tools to drive future retail excellence, particularly in areas such as real-time in-store efficiency, resource optimisation as well as membership services through digital empowerment. It also rolled out Personal Digital Assistants (“PDA”) to its B&M stores, a dashboard-style system that enables store staff to manage inventory more effectively, boosting store-level efficiency.

The Group’s ongoing investments in its omni-channels, alongside its retail refinement strategy, remain essential for developing its unique core competencies, maintaining its competitiveness and supporting its long-term development. It continued to streamline its operations to enhance people efficiency and cost competitiveness and shorten the sales cycle. Through these aforementioned efforts, the Group is confident that it will be more adaptable to the ever-changing operating environment while capturing long-term growth opportunities.

PERFORMANCE ANALYSIS

Financial Review

During the Period, the Group recorded revenue of RMB10,960.0 million, representing an increase of 11.1% compared with the same period of last year. Gross profit was RMB3,670.7 million, representing an increase of 5.0% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2023 increased by 1,654.2% to RMB305.5 million.



MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Revenue

The Group's total revenue during the Period increased 11.1% to RMB10,960.0 million as compared with the same period of last year. The increase was mainly attributed to a recovery in offline traffic and purchasing intent following the lifting of all pandemic control and social distancing measures in mainland China, the robust sales growth of omni-channels, in particular its Pan-WeChat Ecosphere, as well as a low base effect.

For the six months ended
June 30,

	2023 RMB million	2022 RMB million	Change
Revenue	10,960.0	9,864.8	11.1%
Cost of sales	(7,289.3)	(6,368.9)	14.5%
Gross profit	3,670.7	3,495.9	5.0%
Gross profit margin (%)	33.5%	35.4%	-1.9 ppt

Gross Profit

The Group's gross profit during the Period amounted to RMB3,670.7 million with a gross profit margin of 33.5%. Despite the well-managed discount control, the gross profit margin decreased 1.9 percentage points compared to the same period of last year. The decrease was mainly attributed to negative impact from channel mix.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses during the Period were RMB2,913.6 million (first half of 2022: RMB3,075.9 million), accounting for 26.6% of the Group's revenue (first half of 2022: 31.2%). Selling and distribution expenses primarily include concessionaire fees, depreciation of right-of-use assets in relation to stores, sales personnel salaries and commissions, other depreciation and amortisation charges, and other expenses that mainly include store operation expenses, property management fees, logistic expenses and other expenses.



MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Selling & Distribution Expenses and Administrative Expenses (continued)

Administrative expenses during the Period were RMB396.7 million (first half of 2022: RMB375.9 million), accounting for 3.6% of the Group's revenue (first half of 2022: 3.8%). Administrative expenses primarily include management and administrative personnel salaries, depreciation and amortisation charges and other expenses.

The Group's selling and distribution expenses and administrative expenses during the Period were RMB3,310.3 million, a decrease of 4.1% compared to the first half of 2022. This was equivalent to 30.2% of total revenue, a decrease of 4.8 percentage points year-on-year, with the savings benefited from active management on rental and people efficiency that delivered operational excellence, as well as operating leverage.

Operating Profit

The Group's operating profit during the Period was RMB472.8 million, representing an increase of 127.0% with an operating margin of 4.3%, an increase of 2.2 percentage points year-on-year.

Finance Income and Finance Costs

Finance income during the Period was RMB14.2 million, compared to RMB10.6 million in the first half of 2022. Finance costs during the Period recorded a sharp decrease of 45.9% to RMB49.5 million, compared to RMB91.5 million in the first half of 2022, primarily as a result of the efforts in debt repayment and a decrease in interest expenses on lease liabilities during the Period.

Profit for the Period

As a result of the aforementioned efforts, the Group recorded a net profit of RMB319.0 million during the Period, representing a significant increase of 1,218.8% as compared with the corresponding period of 2022. Profit attributable to owners of the Company for the first half of 2023 increased by 1,654.2% to RMB305.5 million as compared with the corresponding period of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Working Capital Efficiency

The average inventory turnover period for the first half of 2023 improved significantly to 133 days (first half of 2022: 202 days). The balance of inventory as at June 30, 2023 was RMB4,672.1 million, a decrease from RMB6,071.9 million as at December 31, 2022, which was attributed to the Group's efforts to clear excess inventory and to enhance inventory efficiency. The average trade receivables turnover period was 16 days (first half of 2022: 21 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 payables turnover period during the Period was 21 days (first half of 2022: 34 days).

Liquidity and Financial Resources

As at June 30, 2023, the Group has solid bank balances and cash (which consist of bank deposits over 3 months and cash and cash equivalents) amounting to RMB2,224.9 million (December 31, 2022: RMB1,190.1 million) while working capital (current assets minus current liabilities) was RMB6,044.5 million (December 31, 2022: RMB5,475.0 million). Total bank borrowings were further reduced by 79.8% to RMB92.0 million (December 31, 2022: RMB456.2 million). All bank borrowings are short-term in nature which are repayable within one year. Bank balances and cash and bank borrowings were mainly denominated in Renminbi. The Group's loans under a fixed rate arrangement made up approximately 100% (December 31, 2022: 92%) of its total bank borrowings.

The Group's gearing ratio as of June 30, 2023, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 1.1% (December 31, 2022: 5.6%). The net cash position (bank balances and cash minus bank borrowings) saw a soaring increase to RMB2,132.9 million (December 31, 2022: RMB734.0 million).

The net cash generated from operating activities during the Period was RMB2,021.0 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 during the Period was RMB332.7 million, while the net cash used in financing activities was RMB853.3 million.



MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Capital Expenditure

The Group continued its selective and prudent approach to capital expenditure planning in the areas of strategic new store openings, ongoing upgrades and the expansion of experience-driven B&M stores that offer a better shopping experience and store productivity improvements, as well as further optimising and upgrading its online and B&M networks to capture growth opportunities. Total capital expenditure during the Period increased to RMB157.3 million (first half of 2022: RMB143.8 million). As at June 30, 2023, the Group had no material contingent liabilities.

As at June 30, 2023, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB53.8 million (December 31, 2022: RMB62.7 million). The Group also entered into new leases for several retail stores that have not yet commenced, with an average non-cancellable period ranging from 1 to 3 years (December 31, 2022: 1 to 3 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB7.6 million (December 31, 2022: RMB21.4 million).

Foreign Exchange

The Group conducts its business primarily in the Greater China region and the majority of its transactions are denominated in Renminbi. As at June 30, 2023, the Group had no significant hedging financial instruments for managing its foreign exchange exposure. As the exchange rate of the 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 during the Period was in accordance with the Group's internal policies and guidelines.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS

The Group is reasonably optimistic that the recovery momentum will continue into the second half of 2023. Its overall top-line recovery will be supported by purchasing intent and a relative low base effect although the extent of this will vary month to month due to the uneven impact that control measures had on the Group's business in the corresponding periods of 2022.

The Group is also confident about the ongoing resilience of its omni-channels and the outperformance of its higher margin Pan-WeChat Ecosphere as it continues to accelerate its digital transformation to drive its profitable growth and further margin improvement. The Group will continue to optimise its omni-channels, aiming to become less reliant on promotions and improving its inventory management efficiency to achieve a better margin profile and operational efficiency.

Regarding offline channel, the Group will continue to prioritise store-level profitability and efficiency through implementing its retail refinement strategy of upgrading and refining its B&M network to offer a digitally-enabled and superior customer experience, while exploring new cooperation opportunities with business partners that will ultimately drive sustainable growth. The Group will also further upgrade its ERP system and business intelligence platforms, and invest in other digital empowerment tools, such as PDA, smart product allocation artificial intelligence, dashboard and E-POS to better support its operations, optimise its inventory management and improve its working capital efficiency. It will continue to drive its offline and online sales growth and reinforce its in-season sell-through, off-season clearance and margin growth through its PSP, a more agile procurement strategy and more effective inventory management.

The Group will seek to further enhance its strategic cooperation with its brand partners, including its Omni-Hub programme for inventory sharing. It is also committed to expanding its integrated membership programmes with brand partners and connecting these membership services with its growing number of digitally-enabled stores, allowing customers to access premium member-exclusive products, offers and experiences that are consistent with that available at the directly operated stores of these brands in the Greater China region.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS (continued)

Although the current external environment remains challenging, the prospects for the sports industry in the Greater China region remain bright, with authorities remaining committed to high-quality sports development and with the industry set to grow to RMB5 trillion in value by 2025. This will enable the Group to return to and exceed its previous growth momentum while strengthening its long-term operating performance and profitability.

HUMAN RESOURCES

As at June 30, 2023, the Group had approximately 23,700 employees in total, representing a decrease of 17.1% year-on-year. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers share awards 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 programmes for employees based on their respective personal career development.



OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.0185 in cash per ordinary share of the Company (the “Share”) for the six months ended June 30, 2023 (six months ended June 30, 2022: nil) to the holders of the Shares (the “Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on Thursday, September 14, 2023. The interim dividend will be paid on Friday, October 6, 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, September 14, 2023 to Monday, September 18, 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, September 13, 2023. The record date for entitlement to the interim dividend will be Thursday, September 14, 2023.

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

As at June 30, 2023, the interests or short positions of the Directors and chief executive of the Company (the “Chief Executive”) 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 (Chapter 571 of the Laws of Hong Kong) (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 Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S 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

Name of Directors/ Chief Executive	Capacity	Number of Shares/underlying Shares held				Total	Percentage of the issued Shares ¹
		Personal interests	Family interests	Corporate interests	Other interests		
Tsai Patty, Pei Chun	Beneficial Owner	19,523,000	-	-	-	19,523,000	0.37%
Yu Huan-Chang	Beneficial Owner	1,200,000 ²	-	-	-	1,200,000	0.02%
Liao, Yuang-Whang	Beneficial Owner	1,307,000	-	-	-	1,307,000	0.02%
Wang Jun	Beneficial Owner	3,759,974 ³	-	-	-	3,759,974	0.07%

notes:

- ¹ The total number of issued Shares as at June 30, 2023 was 5,326,179,615.
- ² 1,200,000 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, 2023. Details of the awarded Shares are set out in the section "Share Award Scheme" in this interim report.
- ³ Included interests in 384,000 awarded Shares granted under the Share Award Scheme, which are subject to certain vesting conditions and remain unvested as at June 30, 2023. Details of the awarded Shares are set out in the section "Share Award Scheme" in this interim report.



OTHER INFORMATION

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

Long Positions in shares and underlying shares (continued)

(b) *Associated Corporation – 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 ¹
		Personal interests	Family interests	Corporate interests	Other interests		
Yu Huan-Chang	Beneficial Owner	120,000 ²	-	-	-	120,000	0.01%
Liao, Yuang-Whang	Beneficial Owner	120,000 ²	-	-	-	120,000	0.01%
Hu, Chia-Ho	Beneficial Owner	380,000 ³	-	-	-	380,000	0.02%

notes:

¹ The total number of issued shares of Yue Yuen as at June 30, 2023 was 1,612,183,986.

² Included interests in 90,000 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, 2023. Details of the awarded Shares are set out in the section "Arrangement to Acquire Shares or Debentures" in this interim report.

³ Included interests in 45,000 awarded shares granted by Yue Yuen under the YY Share Award Scheme, which are subject to certain vesting conditions and remain unvested as at June 30, 2023. 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at June 30, 2023, none of the Directors nor Chief Executive 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 pursuant to 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 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. All personnel of the Group are entitled to participate. It is funded by the existing Shares of the Company and does not involve issue of new Shares. The Share Award Scheme is valid and effective for a term of 10 years commencing on May 9, 2014 and ending on May 8, 2024. 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 awarded Shares 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) and timetable (i.e. vesting period) as determined by the Board. In the case of a Director or an employee of the Group, the grantee must remain at all times a Director or an employee of the Group. Clawback will be applied where there is exceptionally poor performance, misconduct or material breach of terms of employment or rules or policies of the Company prior to the vesting date and the Board will determine to vary or cancel the relevant award.



OTHER INFORMATION

SHARE AWARD SCHEME (continued)

Awarded Shares are generally granted on the basis of the individual performance of the relevant grantee, and vested in three tranches over three years with dates determined by the Board subject to fulfilment of performance target(s) and condition(s). The most common performance target is "attaining "good" or better performance rating for all appraisals conducted during the vesting period". Taking 'vest-in-tranches' into consideration, vesting periods of awarded Shares granted generally range from 1 to 3 years.

According to the letter of award, the amount payable on acceptance of the grant of awarded Shares is HK\$1.00 with no deadline specified. No monetary payment has to be made by grantee to acquire awarded Shares under the Share Award Scheme.

The total number of Shares to be awarded under the Share Award Scheme should not exceed 4% of the number of issued Shares (i.e. 5,326,179,615 Shares) as at the date of grant, which is 213,047,184. 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, which is 53,261,796.

Under the Share Award Scheme, a total of 111,721,810 Shares, representing approximately 2.10% of the issued Shares, have been awarded and the total number of Shares available for being further awarded was/is 101,325,374, representing approximately 1.90% of the issued Shares, as at March 15, 2023 (being the date of the annual report of the Company for the year ended December 31, 2022) and the date of this report.

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 June 30, 2023
			Balance as at January 1, 2023	Granted during the period	Lapsed/ cancelled during the period	Vested during the period	
Director/Chief Executive							
Yu Huan-Chang	11.11.2022	11.11.2022-10.11.2023	360,000	-	-	-	360,000
	11.11.2022	11.11.2022-10.11.2024	360,000	-	-	-	360,000
	11.11.2022	11.11.2022-10.11.2025	480,000	-	-	-	480,000
Wang Jun	24.03.2021	24.03.2021-23.09.2023	144,000	-	-	-	144,000
	24.03.2021	24.03.2021-23.03.2024	240,000	-	-	-	240,000
Sub-total			1,584,000	-	-	-	1,584,000
Employees in aggregate							
	24.03.2021	24.03.2021-23.09.2023	1,759,500	-	(28,800)	-	1,730,700
	24.03.2021	24.03.2021-23.03.2024	2,932,500	-	(48,000)	-	2,884,500
	13.08.2021	13.08.2021-12.02.2023	377,400	-	-	(377,400)	-
	13.08.2021	13.08.2021-12.02.2024	566,100	-	(18,600)	-	547,500
	13.08.2021	13.08.2021-12.08.2024	943,500	-	(31,000)	-	912,500
Sub-total			6,579,000	-	(126,400)	(377,400)	6,075,200
Grand total			8,163,000	-	(126,400)	(377,400)	7,659,200

The weighted average closing price of the Shares immediately before the date on which the awards that were vested during the period was HK\$0.87 per Share.



OTHER INFORMATION

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Under the YY Share Award Scheme and subject to certain vesting conditions, three of the Directors have been awarded with ordinary shares of Yue Yuen, details of which are as follows:

Name of Directors	Date of award	Number of shares awarded	Date of vesting	Number of shares vested	Number of shares unvested
Yu Huan-Chang	01.06.2021	30,000	31.05.2023	30,000	-
	28.06.2023	90,000	31.05.2025	-	90,000
Liao, Yuang-Whang	01.06.2021	30,000	31.05.2023	30,000	-
	28.06.2023	90,000	31.05.2025	-	90,000
Hu, Chia-Ho	01.06.2021	60,000	31.05.2023	60,000	-
	23.03.2023	62,000	01.06.2023	62,000	-
	28.06.2023	45,000	31.05.2025	-	45,000

Save as disclosed herein and as stated in the section "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.



OTHER INFORMATION

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

As at June 30, 2023, 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 Executive's 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	3,331,551,560	62.55%
Yue Yuen	(a), (b)	Interest of a controlled corporation/Beneficial owner	3,331,551,560	62.55%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	3,331,551,560	62.55%
Pou Chen Corporation ("PCC")	(b)	Interest of a controlled corporation	3,331,551,560	62.55%



OTHER INFORMATION

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

Long Positions in the Shares (continued)

notes:

The total number of issued Shares as at June 30, 2023 was 5,326,179,615.

- (a) 3,331,551,560 Shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.
- (b) The entire issued shares of Major Focus is held by Yue Yuen, in which Wealthplus and Win Fortune Investments Limited ("Win Fortune") respectively hold 47.95% and 3.16% voting shares. Wealthplus and Win Fortune are in turn wholly-owned by PCC. Accordingly, Yue Yuen, Wealthplus and PCC are all deemed to be interested in these Shares under the SFO.

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

Save as disclosed above, as at June 30, 2023, the Directors were not aware of any other person (other than the Directors or Chief Executive) 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2023 (six months ended June 30, 2022: nil).



OTHER INFORMATION

UPDATE ON DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and Chief Executive since the date of publication of the Company's 2022 annual report are set out below:

- (a) On May 2, 2023, 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 on June 6, 2023 and ending on June 5, 2026, subject to retirement by rotation and re-election at annual general meetings pursuant to the bye-laws of the Company (the "Bye-laws").
- (b) On May 2, 2023, 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 on June 6, 2023 and ending on June 5, 2026, subject to retirement by rotation and re-election at annual general meetings pursuant to the Bye-laws.
- (c) With effect from June 1, 2023, Mr. Liao, Yuang-Whang has additionally served as the chief strategy officer & chief investment officer of strategy & investment department of PCC. PCC, a company listed on Taiwan Stock Exchange Corporation, is a controlling shareholder of Yue Yuen, a controlling Shareholder, and through its interests in Yue Yuen, is deemed to be interested in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Company has applied the principles of, and has complied with all applicable code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2023.



OTHER INFORMATION

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. Having made 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, 2023.

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, 2023, 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, 2023 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.

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.



OTHER INFORMATION

DIRECTORS

As at the date of this report, the Board comprises:

Executive Directors

Mr. Yu Huan-Chang (Chairman), Mr. Liao, Yuang-Whang and Mr. Hu, Chia-Ho

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chen, Huan-Chung, Mr. Feng Lei Ming and Mr. Liu, Hsi-Liang

By Order of the Board

Yu Huan-Chang

Chairman

Hong Kong, August 11, 2023

Website: www.pousheng.com



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



WAKE UP YOUR LIFE

