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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, 2024

THE GROUP'S FINANCIAL HIGHLIGHTS

Financial performance	For the six months ended June 30, 2024 *RMB'000* (unaudited)	2023 *RMB'000* (unaudited)	Change
Revenue	**9,983,269**	10,960,001	**-8.9%**
Gross profit	**3,415,700**	3,670,684	**-6.9%**
Operating profit	**482,555**	472,818	**2.1%**
Profit attributable to owners of the Company	**335,722**	305,465	**9.9%**
Gross profit margin *(%)*	**34.2%**	33.5%	**0.7 ppt**
Operating profit margin *(%)*	**4.8%**	4.3%	**0.5 ppt**
Basic earnings per share *(RMB cents)*	**6.48**	5.90	**9.8%**
Dividend per share			
Interim dividend *(HK$)*	**0.02**	0.0185	**8.1%**
Special dividend *(HK$)*	**0.02**	–	**N/A**

Financial position	As at June 30, 2024 *RMB'000* (unaudited)	December 31, 2023 *RMB'000* (audited)	
Inventories	**4,649,992**	4,704,713	**-1.2%**
Trade and other receivables	**2,129,090**	2,101,577	**1.3%**
Cash and cash equivalents	**1,611,830**	1,827,563	**-11.8%**
Bank borrowings	**36,960**	39,202	**-5.7%**

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, 2024 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2024

		For the six months ended June 30,	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**9,983,269**	10,960,001
Cost of sales		**(6,567,569)**	(7,289,317)
Gross profit		**3,415,700**	3,670,684
Other operating income and gains (losses)		**118,664**	112,480
Selling and distribution expenses		**(2,672,160)**	(2,913,620)
Administrative expenses		**(379,649)**	(396,726)
Operating profit		**482,555**	472,818
Finance costs	5	**(35,380)**	(49,513)
Finance income		**27,736**	14,159
		(7,644)	(35,354)
Profit before taxation		**474,911**	437,464
Income tax expense	4	**(136,905)**	(118,497)
Profit for the period	5	**338,006**	318,967
Attributable to:			
Owners of the Company		**335,722**	305,465
Non-controlling interests		**2,284**	13,502
		338,006	318,967
Earnings per share	7		
– Basic		**RMB6.48 cents**	RMB5.90 cents
– Diluted		**RMB6.48 cents**	RMB5.90 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**338,006**	318,967
Other comprehensive income (expense)		
An item that will not be reclassified to profit or loss		
Fair value gain on investments in equity instrument at fair value through other comprehensive income	**1,256**	–
An item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**3,313**	(1,988)
Other comprehensive income (expense) for the period	**4,569**	(1,988)
Total comprehensive income for the period	**342,575**	316,979
Attributable to:		
Owners of the Company	**340,291**	303,477
Non-controlling interests	**2,284**	13,502
	342,575	316,979

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024

	Note	At June 30, 2024 *RMB'000* (unaudited)	At December 31, 2023 *RMB'000* (audited)
Non-current assets			
Investment properties		**129,700**	129,700
Property, plant and equipment		**787,809**	781,568
Right-of-use assets		**1,488,519**	1,743,073
Deposits paid for acquisition of property, plant and equipment		**57,633**	25,063
Rental deposits		**114,255**	125,098
Intangible assets		**88,999**	85,820
Goodwill		**522,163**	522,163
Interests in joint ventures		**–**	–
Equity instrument at fair value through other comprehensive income		**3,078**	1,921
Bank deposits over three months		**550,000**	250,000
Deferred tax assets		**101,419**	110,222
		3,843,575	3,774,628
Current assets			
Inventories		**4,649,992**	4,704,713
Trade and other receivables	8	**2,129,090**	2,101,577
Taxation recoverable		**7,770**	52,577
Bank deposits over three months		**946,609**	796,615
Cash and cash equivalents		**1,611,830**	1,827,563
		9,345,291	9,483,045

	Note	At June 30, 2024 RMB'000 (unaudited)	At December 31, 2023 RMB'000 (audited)
Current liabilities			
Trade and other payables	9	**2,297,095**	2,485,038
Contract liabilities		**417,188**	303,726
Taxation payable		**2,068**	17,928
Bank borrowings		**36,960**	39,202
Lease liabilities		**545,865**	625,826
		3,299,176	3,471,720
Net current assets		**6,046,115**	6,011,325
Total assets less current liabilities		**9,889,690**	9,785,953
Non-current liabilities			
Deferred tax liabilities		**22,112**	22,931
Lease liabilities		**972,991**	1,152,441
		995,103	1,175,372
Net assets		**8,894,587**	8,610,581
Capital and reserves			
Share capital		**46,438**	46,438
Reserves		**8,755,879**	8,471,693
Equity attributable to owners of the Company		**8,802,317**	8,518,131
Non-controlling interests		**92,270**	92,450
Total equity		**8,894,587**	8,610,581

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 D2 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 amount or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2023.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following 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, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS7	Supplier Finance Arrangements

The application of the 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.

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,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	**9,924,029**	10,897,233
Commissions from concessionaire sales	**59,240**	62,768
	9,983,269	10,960,001

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
People's Republic of China Enterprise Income Tax		
– Current period	**125,213**	88,930
– Overprovision in prior periods	**(11,547)**	(15,260)
Withholding tax on dividend	**15,254**	–
Current tax charge – total	**128,920**	73,670
Deferred tax charge	**7,985**	44,827
	136,905	118,497

5. FINANCE COSTS/PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(a) Finance costs		
Interest expenses on bank borrowings	**1,191**	5,250
Interest expenses on advances from a related party	**50**	72
Interest expenses on lease liabilities	**34,139**	44,191
	35,380	49,513
(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)	**1,092,906**	1,193,904
Depreciation of right-of-use assets	**389,640**	452,947
Depreciation of property, plant and equipment	**162,410**	189,048
Net changes in allowance for inventories (included in cost of sales)	**(1,484)**	(15,357)
Amortisation of intangible assets (included in selling and distribution expenses)	**4,553**	4,376
Gross rental income from investment properties, net of direct expenses	**(3,065)**	(2,000)
Loss on disposal/written off of property, plant and equipment (included in other operating income and gains (losses))	**3,300**	18,288
Impairment losses recognised on trade and other receivables, net (included in other operating income and gains (losses))	**2,429**	9,826

For the six months ended June 30, 2024 and 2023, 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,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2023 final dividend of HK$0.0120 per share (six months ended June 30, 2023: nil)	**56,652**	–

Subsequent to the end of the current interim period, the Directors have determined that an interim dividend of HK$0.02 per ordinary share of the Company (the "Share") (six months ended June 30, 2023: 2023 interim dividend of HK$0.0185 per Share) and a special dividend of HK$0.02 per Share (six months ended June 30, 2023: nil) amounting to approximately HK$213.0 million in aggregate will be paid to the holders of the Shares (the "Shareholders") whose names appear in the register of members of the Company (the "Register of Members") on Wednesday, September 11, 2024.

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,	
	2024	2023
	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	**335,722**	305,465

	For the six months ended June 30, 2024 (unaudited)	2023 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,181,024,601**	5,176,758,596
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	**2,662,649**	4,103,788
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,183,687,250**	5,180,862,384

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.

8. 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 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, 2024 *RMB'000* **(unaudited)**	At December 31, 2023 *RMB'000* (audited)
0 – 30 days	**987,827**	955,025
31 – 90 days	**37,613**	23,546
Over 90 days	**3,047**	348
	1,028,487	978,919

9. TRADE AND OTHER PAYABLES

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

	At June 30, 2024 *RMB'000* **(unaudited)**	At December 31, 2023 *RMB'000* (audited)
0 – 30 days	**941,174**	1,252,501
31 – 90 days	**143,903**	257
Over 90 days	**4,727**	76
	1,089,804	1,252,834

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Environment

For the six months ended June 30, 2024 (the "Period"), the Group experienced soft sales momentum due to weak store traffic across various cities in mainland China. This negative trend was compounded by a high base effect resulting from the 'revenge spending' phenomenon that followed the reopening of physical sales channels in the first quarter of last year. In addition, amid the ongoing mixed consumption landscape, the performance of the footwear and apparel retail sector underperformed overall consumer spending in mainland China. According to the National Bureau of Statistics of China, the retail value of garments, footwear, hats and knitwear in the first half of 2024 rose 1.3% year-on-year, compared to a 3.7% recovery in the total retail sales of overall consumer goods.

Despite the weaker store traffic, the Group continuously improved sales conversion rates within its directly operated brick and mortar ("B&M") network, as its progressed with its retail refinement strategy while optimising store-level productivity and efficiency. The Group's omni-channel sales remained relatively resilient as it continued to push ahead with its digital transformation strategy and maintain a high degree of agility and flexibility in its decision-making processes. As consumer preferences rapidly adjusted to the changing macroeconomic landscape, the performance of the Group's B2C public traffic domain was satisfactory, increasing by 16.5% and partly offsetting the pressure seen in its retail channels.

With the market environment remaining dynamic and promotional, the Group remains committed to safeguarding its profitability, backed by effective initiatives that diversify its channel mix and enhance its omni-channel capabilities, while ensuring retail discount improvement and stringent expenses controls. It continues to focus on improving conversion rates and in-season full-price sales, while deepening its engagement with consumers. This includes intensifying and expanding its collaboration with existing and new brand partners in ways that prioritises healthier sales, enhances its membership programmes and inventory integration, and appeals to a broader consumer base, thereby further demonstrating the Group's operational excellence in retailing and distribution.

Hybrid Channel Management – B&M

The sales momentum of the Group's B&M network located in higher-tier cities, was impacted by a more than 30% year-on-year reduction in footfall amid the changing economic environment, as well as a high base effect. However, improved in-store conversion rates and higher average selling price within its B&M network partially offset soft same-store sales growth. At the same time, the Group's franchise network performed better as it benefited from relatively resilient footfall in lower-tier cities. By enhancing its cooperation with wholesale partners, the Group was able to diversify its geographic reach, balance its sales across city tiers, and effectively expand its coverage and penetration among consumers in lower-tier cities in a short period of time. This helped partially offset the downward pressure on footfall seen in higher-tier cities during the Period.

During the Period, the Group continued to progress its retail refinement strategy of selectively rightsizing or upgrading stores, with the goals of accelerating its expenses reduction plan and enhancing store-level productivity and efficiency. It also continued to adopt 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 that prioritises margins and business quality. As at June 30, 2024, the Group's retail network had 3,478 directly operated stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	June 30, 2024	June 30, 2023
At the beginning of the period	**3,523**	4,093
Net decrease	**(45)**	(370)
At the end of the period	**3,478**	3,723

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

	June 30, 2024		June 30, 2023	
	Number	***%***	*Number*	*%*
Selling area				
300 m^2 or smaller	**2,748**	**79.0**	2,988	80.3
Larger than 300 m^2	**730**	**21.0**	735	19.7
Total	**3,478**	**100.0**	3,723	100.0

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 its store formats and accelerating its digital transformation by integrating its Pan-WeChat ecosphere, membership programmes and other digital services and tools into its B&M network, which, in turn, enriched the consumer experience and maintained resilient average transaction values despite a mixed consumption landscape. It also continued to implement efficiency enhancement projects to encourage better store entry and sales conversion rates, repeat purchases and higher-margin in-season sales within its offline network.

Hybrid Channel Management – Omni-channels

The Group's omni-channels include 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, as well as channels that facilitate the clearance of slow-moving merchandise and enhance cash conversion efficiency, including its public traffic domain and B2B channels. The Group's public traffic domain includes its operations on the platforms such as Tmall, JD and Vipshop. During the Period, it continued to strengthen its omni-channels, leveraging its differentiated, multi-faceted operation matrix to further deepen its engagement with key shopping groups, while enhancing operational efficiency.

During the Period, the Group's online sales momentum, led by its public traffic domain, remained resilient, partly offsetting the slowdown in foot traffic to its B&M stores and supporting effective inventory management. Its omni-channels collectively contributed approximately 26% of total sales during the Period.

The Group's Pan-WeChat Ecosphere serves as an extension of its B&M network. While overall sales through this channel were negatively impacted by soft offline traffic and disciplined discount control, its private traffic domain continued to support conversion rates and contribute to offline direct retail sales, providing quality and comprehensive customer service with a human touch. The Group further optimised the scope of its Douyin live-streams conducted by designated Key Opinion Staff during the Period, facilitating more localised operations by integrating the regional level and the store level, as well as enhancing cooperation with brand partners. 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 sales and enhance repeat purchases.

Enhanced Strategic Alliances with Business Partners

The Group further deepened its strategic partnerships with its business partners in order to provide an impeccable and diverse shopping experience and consumer connectivity. Leveraging its YYsports WeChat Mini-Program and live-streaming across the Greater China region, the Group continued to boost its connected digital membership programmes while offering diversified content, interactive features and other related services, to support in-depth membership management and facilitate a premium and seamless online and offline consumer experience. The Group further supported membership growth and increased in-season sell-through by strengthening its membership programmes with brand partners and expanding integration and connectivity with brand-authorised Douyin accounts.

Moreover, the Group continued to reinforce its product-sharing platform ("PSP") and improve its efficiency in product allocation and logistics management, while enhancing its connected inventory programme with brand partners, to efficiently share products and services across different platforms and channels to optimise its inventory mix, accelerate sales cycles and optimise its services to loyal members and consumers.

Strengthened Operational Excellence with Digital Transformation

During the Period, the Group further upgraded and optimised its enterprise resource planning ("ERP") system. Since the beginning of 2024, the Group has successfully implemented multiple SAP modules that have integrated its business and finance functions and laid a solid foundation for strategic decision making at the management level. The modules cover various functions, including data analytics, product management, sales management, financial operations and budget monitoring. Through its fully integrated business intelligence platform, it is able to monitor its entire operations through digital cloud-based financial dashboards on a real-time basis. The Group also leverages other digital tools to drive its retail excellence, particularly in areas such as real-time in-store efficiency, resource optimisation and membership services through digital empowerment.

The Group's ongoing investments in its omni-channels and retail refinement strategy, alongside its digital transformation strategy for operational excellence, remain essential for developing its unique core competencies, maintaining its competitiveness and supporting its long-term development. Its streamlined operations also enhance people efficiency, cost competitiveness and shortener sales cycles. 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 RMB9,983.3 million, representing a decrease of 8.9% compared with the same period of last year. Gross profit was RMB3,415.7 million, representing a decrease of 6.9% when compared to the same period of last year. Profit attributable to owners of the Company for the Period increased by 9.9% to RMB335.7 million.

Revenue

The Group's total revenue in the first half of 2024 decreased 8.9% to RMB9,983.3 million, as compared with the same period of last year, as a result of soft store traffic amid an increasingly dynamic retail environment, despite the relatively resilient performance of its omni-channels.

	For the six months ended June 30,		
	2024	2023	**Change**
	RMB million	*RMB million*	
Revenue	**9,983.3**	10,960.0	**-8.9%**
Cost of sales	**(6,567.6)**	(7,289.3)	**-9.9%**
Gross profit	**3,415.7**	3,670.7	**-6.9%**
Gross profit margin (%)	**34.2%**	33.5%	**0.7 ppt**

Gross Profit

The Group's gross profit during the Period amounted to RMB3,415.7 million with a gross profit margin of 34.2%, an increase of 0.7 percentage point year-on-year. Well-managed discount controls, coupled with effective inventory management, helped offset an unfavourable channel mix.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses during the Period were RMB2,672.2 million (first half of 2023: RMB2,913.6 million), accounting for 26.8% of the Group's revenue (first half of 2023: 26.6%). 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, logistics expenses and other expenses.

Administrative expenses during the Period were RMB379.6 million (first half of 2023: RMB396.7 million), accounting for 3.8% of the Group's revenue (first half of 2023: 3.6%). 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 RMB3,051.8 million, a decrease of 7.8% year-on-year. This was equivalent to 30.6% of total revenue, with the savings accruing from the active management of rentals and people efficiency.

Operating Profit

The Group's operating profit during the Period was RMB482.6 million, representing an increase of 2.1% with an operating margin of 4.8%, an increase of 0.5 percentage point year-on-year.

Finance Income and Finance Cost

Finance income during the Period was RMB27.7 million, compared to RMB14.2 million in the first half of 2023. Finance costs during the Period decreased by 28.5% to RMB35.4 million, compared to RMB49.5 million in the first half of 2023, primarily as a result of its debt repayment efforts. The balance of bank borrowing as at June 30, 2024 decreased significantly year-on-year due to enhanced efficiency in cash management, and a decrease in interest expenses on lease liabilities during the Period.

Profit for the Period

During the Period, the Group recorded a net profit of RMB338.0 million, while profit attributable to owners of the Company was RMB335.7 million. The profit attributable to owners of the Company margin was 3.4%, representing an increase of 0.6 percentage point year-on-year.

Working Capital Efficiency

The average inventory turnover period for the Period improved to 130 days (first half of 2023: 133 days). The balance of inventory as at June 30, 2024 was RMB4,650.0 million, a decrease from RMB4,704.7 million as at December 31, 2023, which was attributed to the Group's efforts to manage healthy inventory and to enhance inventory efficiency. The average trade receivables turnover period was 18 days (first half of 2023: 16 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives its department store counters and retail distributors. The average trade payables turnover period during the Period was 32 days (first half of 2023: 21 days).

Liquidity and Financial Resources

As at June 30, 2024, the Group maintained a strong balance sheet, with bank balances and cash (which consist of bank deposits over three months and cash and cash equivalents) amounting to RMB3,108.4 million (December 31, 2023: RMB2,874.2 million) while working capital (current assets minus current liabilities) was RMB6,046.1 million (December 31, 2023: RMB6,011.3 million). Total bank borrowings were reduced by 5.7% to RMB37.0 million (December 31, 2023: RMB39.2 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, 2023: 100%) of its total bank borrowings.

The Group's gearing ratio as of June 30, 2024, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 0.4% (December 31, 2023: 0.5%). The net cash position (bank balances and cash minus bank borrowings) further increased to RMB3,071.5 million (December 31, 2023: RMB2,835.0 million).

The net cash generated from operating activities during the Period was RMB873.3 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 RMB608.1 million, while the net cash used in financing activities was RMB482.5 million.

Capital Expenditure

The Group maintained its selective and prudent approach to capital expenditure planning, focused on areas including: the strategic opening of new stores and ongoing upgrade of experience-driven B&M stores that offer a better shopping experience; store productivity improvements; and the further roll-out of its long-term digital transformation strategy, namely the optimisation of its SAP ERP system. Total capital expenditure during the Period increased to RMB190.8 million (first half of 2023: RMB170.6 million). As at June 30, 2024, the Group had no material contingent liabilities.

As at June 30, 2024, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB39.5 million (December 31, 2023: RMB53.1 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, 2023: 1 to 3 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB6.9 million (December 31, 2023: RMB5.7 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, 2024, 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 for the Period was in accordance with the Group's internal policies and guidelines.

PROSPECTS AND FUTURE DEVELOPMENTS

Amid the ongoing dynamic retail environment, the Group will focus primarily on safeguarding margins, supported by its operational excellence and digital transformation strategy. It will also continue to enhance its business portfolio, diversify its channel mix, maintain its strategic approach to dynamic inventory control, and most importantly, effectively manage its working capital management.

The Group will continue to implement its retail refinement strategy to offer a digitally–enabled and superior customer experience, while dynamically managing its B&M and omni-channel footprint. This includes prudently introducing and expanding new store concepts, such as its new "YYQUALITY" stores – a new multi-brand outlet store concept– that provide customers with an appealing option to find quality good-value merchandise, while staying attuned to market trends with new formats that strengthen the Group's competitive position and offer diversified shopping experiences. As it seeks to broaden its exposure to different sports product categories and segments, the Group is progressively opening several new mono brands stores for Saucony, Hoka, Pony and popular Korean yoga brand XEXYMIX for which the Group is the sole distributor in mainland China. As the needs and preferences of consumers rapidly evolve, the operating team has grasped the core needs, further expanding its public and private domains within its omni-channels to cater to current trends. It is also strengthening its product selection and stock building, adopting an online multi-storefront model and pursuing a more multi-faceted approach, such as Xiaohongshu "grass-planting" marketing initiatives.

At the same time, the Group will enhance the implementation, integration and upgrade of its SAP system, utilising its multi-functional modules to achieve the integration and optimisation of business and finance, laying a solid foundation for strategic decision-making at the management level. Additionally, the Group will further integrate its business intelligence platforms, enabling the real-time monitoring of overall operations through digital cloud-based financial dashboards. It will also leverage other digital empowerment tools, such as its recently upgraded artificial intelligence shift scheduling system to improve its operational efficiency. Furthermore, the Group will continue to reinforce its in-season sell-through, off-season clearance and solid margin through its PSP, a more agile procurement strategy and inventory management.

The Group will also continue to maximise its strategic partnerships with business associates. This includes reinforcing its commitment to inventory sharing and expanding its connected membership programmes with brand partners, which allows consumers to access the same premium member-exclusive products, offers and experiences available at the directly operated stores of these brands in the Greater China region. In addition, the Group will further expand its YYsports Douyin stores that cooperate with selected brands, which are exclusively-authorised Douyin accounts that are quickly incubated by its experienced team and create popular product assortments, establishing a high-quality revenue-generating channel.

Despite the near-term macroeconomic headwinds, the prospects for the sports industry in the Greater China region remain bright, with the China authorities remaining committed to high-quality sports development and boosting relevant consumption, with the industry set to grow to RMB5 trillion in value by 2025, underscoring the growth potential within the sports market. This will be further fuelled by anticipated consumption growth associated with the 2024 UEFA European Football Championship and the Olympic Games in Paris. These trends will drive the Group's sustainable growth momentum while strengthening its long-term operating performance and profitability.

HUMAN RESOURCES

As at June 30, 2024, the Group had approximately 20,700 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 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.

SHARE AWARD SCHEME

The share award scheme of the Company (the "Share Award Scheme") is funded by the the Shares and does not involve issue of new Shares. 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 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 is 101,325,374, representing approximately 1.90% of the issued Shares as at the date of this announcement.

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, 2024, no share awards were granted, 20,800 share awards lapsed or were cancelled and 3,507,400 share awards were vested under the Share Award Scheme. As at June 30, 2024, an aggregate of 1,699,000 share awards which are subject to certain vesting conditions, remain unvested.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.02 in cash per Share for the six months ended June 30, 2024 (six months ended June 30, 2023: interim dividend of HK$0.0185 per Share). In addition to the interim dividend, to reward the Shareholders' continued support, the Board has resolved to declare a special dividend of HK$0.02 in cash per Share (six months ended June 30, 2023: nil), bringing the total dividends declared for the Period to HK$0.04 per Share, representing a payout ratio of 60%. The interim dividend and special dividend will be paid on Friday, October 4, 2024 to the Shareholders whose names appear on the Register of Members on Wednesday, September 11, 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, September 11, 2024 to Friday, September 13, 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend and special 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 Tuesday, September 10, 2024. The record date for entitlement to the interim dividend and special dividend will be Wednesday, September 11, 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (six months ended June 30, 2023: 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 interim financial information for the six months ended June 30, 2024, 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 of the Group for the six months ended June 30, 2024 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 applicable code provisions and, where applicable, the recommended best practices set out in Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended June 30, 2024.

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 C3 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, 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pousheng.com) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2024 interim report of the Company containing all applicable information required by the Listing Rules will be made available on the above websites and sent to the Shareholders in the manner required by the Listing Rules 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
Yu Huan-Chang
Chairman

Hong Kong, August 12, 2024

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

Executive Directors
Mr. Yu Huan-Chang (Chairman), Mr. Hu, Chia-Ho and Mr. Chen, Li-Chieh (Chief Financial Officer)

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

Website: www.pousheng.com