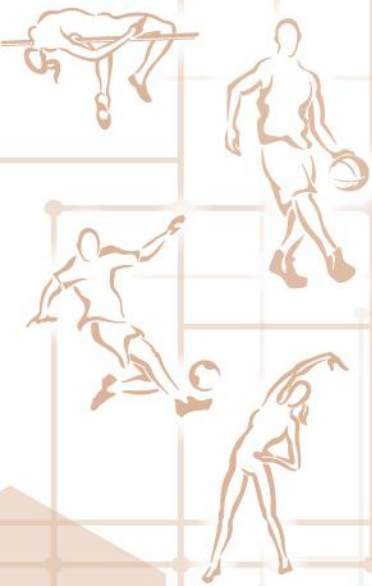




Pou Sheng International 2019 1H Results

13 August 2019



Disclaimer

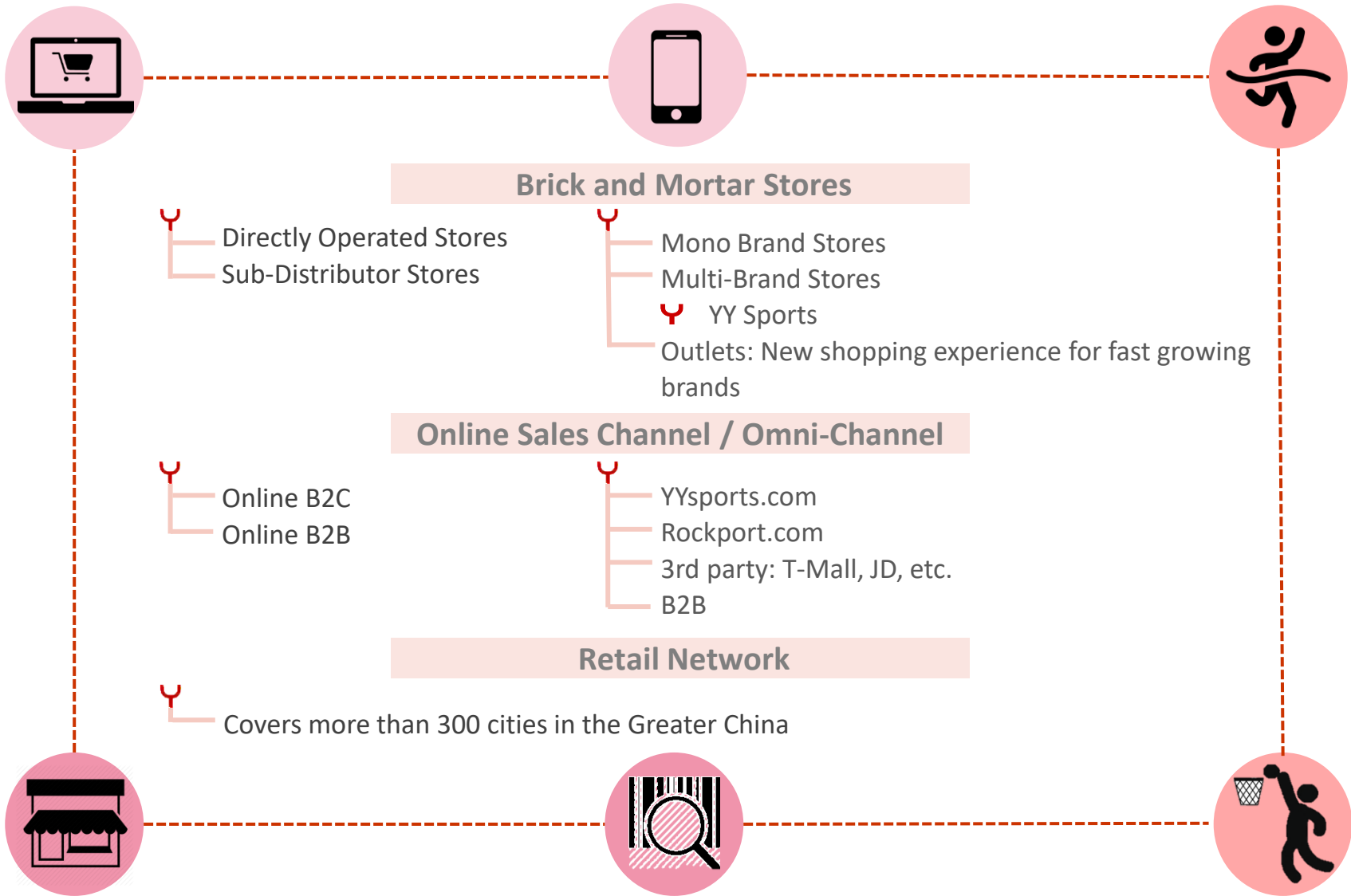


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Pou Sheng Retail Strategy Across China



Distinguished Partners and Events

VISION Make sports your life!

MISSION Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.



Pou Sheng Financial Highlights



	RMB'mn			US\$'000		
	1H 2019	1H 2018	Y-o-Y	1H 2019	1H 2018	Y-o-Y
Revenue	13,372	11,202	+19.37%	1,968,064	1,752,751	+12.28%
Gross Profit	4,616	3,756	+22.90%	679,386	587,720	+15.60%
<i>Gross Profit Margin</i>	34.52%	33.53%	+0.99pp	34.52%	33.53%	+0.99pp
Operating Profit	774	530	+46.04%	113,976	82,984	+37.35%
<i>Operating Profit Margin</i>	5.79%	4.73%	+1.06pp	5.79%	4.73%	+1.06pp
Profit attrib. to Owners of PS	427	307	+39.09%	62,911	48,009	+31.04%
<i>Profit attrib. to Owners Margin</i>	3.20%	2.74%	+0.46pp	3.20%	2.74%	+0.46pp

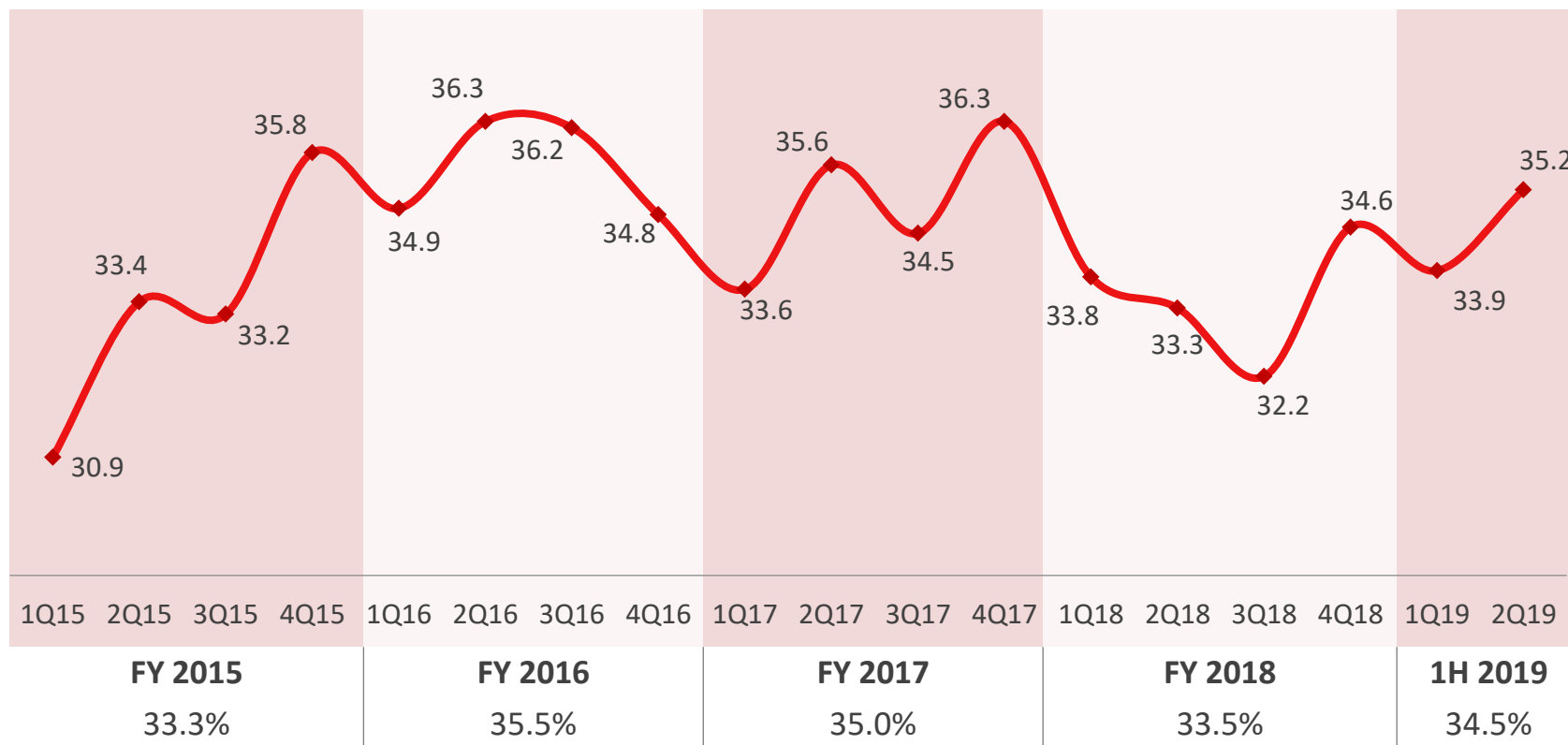
Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1H2019 & 1H2018
For more details, please refer to Appendix

For 1H 2019, the profit for the period decreased by RMB31.2 million due to the application of HKFRS16.

Pou Sheng GP Margin Trend

(%)

◆ Gross Profit Margin



Pou Sheng OP Margin Trend

(%)

◆ Operating Profit Margin



* The figures have been restated due to the application of merger accounting

Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	<u>1H 2019</u>	<u>1H 2018</u>
Depreciation & Amortization [^]	639.1	250.7
EBITDA	1,408.9	783.8
Capital Expenditure	290.7	216.7

	<u>30 June 2019</u>	<u>30 June 2018</u>
Total Borrowings*	3,266	3,161
Net Borrowings*	2,625	2,560
Total Borrowings to Equity #	43.7%	47.3%
Net Borrowings to Equity #	35.1%	38.3%

	<u>1H 2019</u>	<u>1H 2018</u>
Total Borrowings to EBITDA (X) annualized	1.2 X	2.0 X
Net Borrowings to EBITDA (X) annualized	0.9 X	1.6 X
Return on Owner's Equity LTM	9.2%	6.1%
Return on Asset LTM	6.6%	5.5%

Source: Internal analysis report (figures rounded)

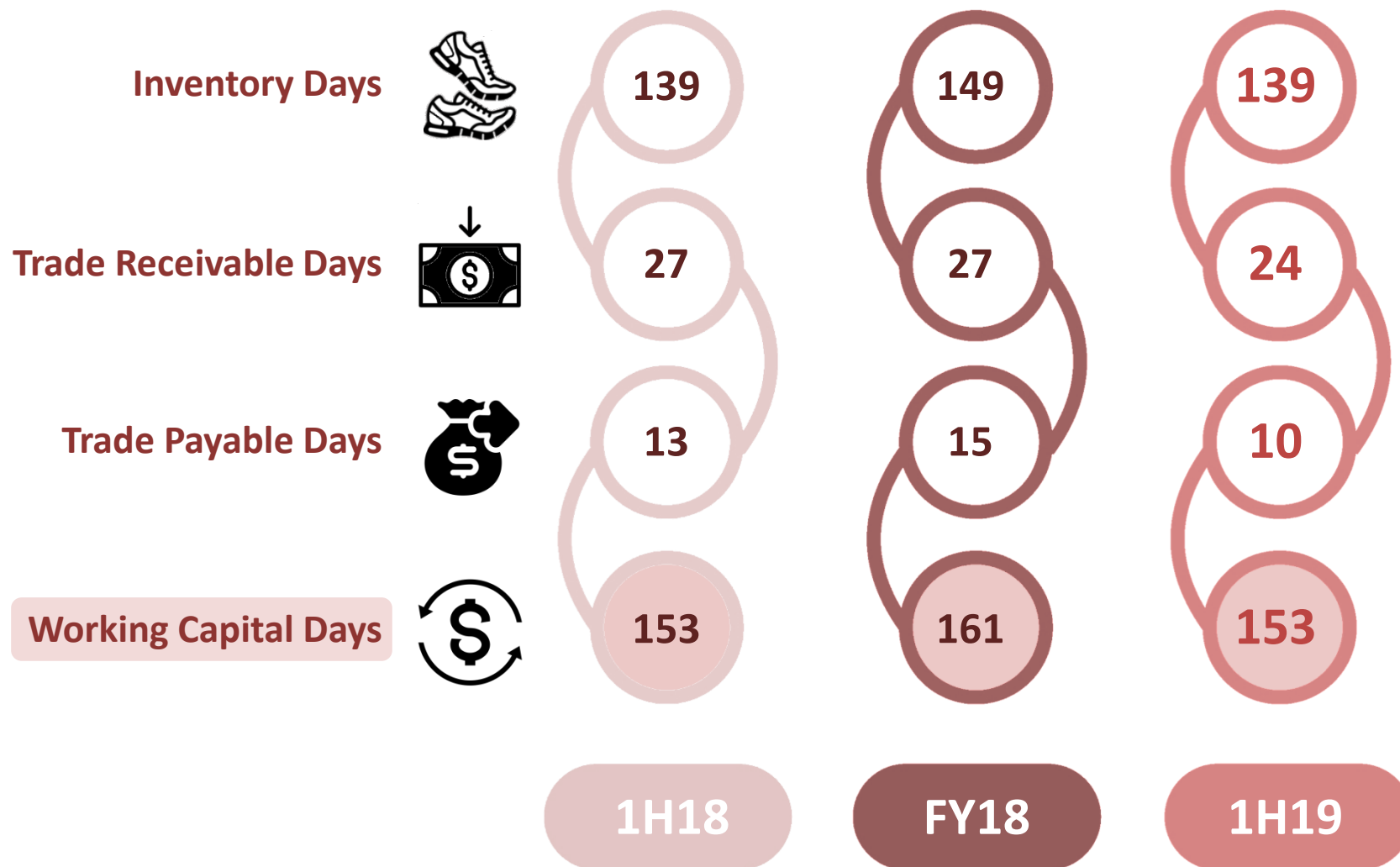
[^] Depreciation & Amortization would have been relatively stable if excluding HKFRS16 impact.

* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 1,948.0 mn as at 30 Jun 2019

Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 69.7% and 61.1% as at 30 Jun 2019 respectively

Operation Efficiency

Based on RMB

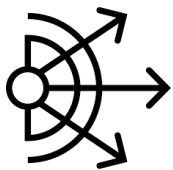
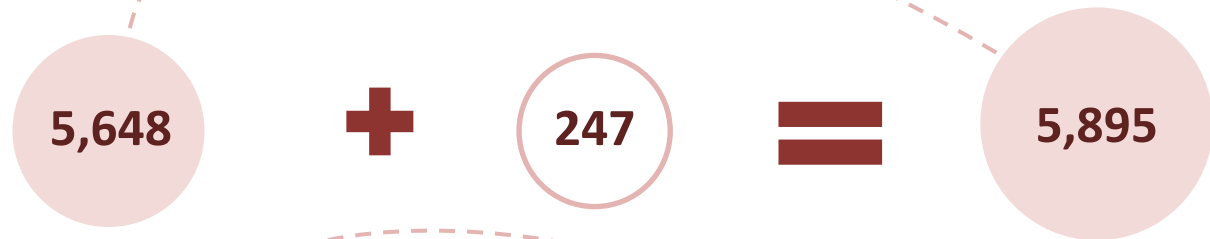


Pou Sheng Store Performance

Number of Stores



Directly operated



Sub-distributor



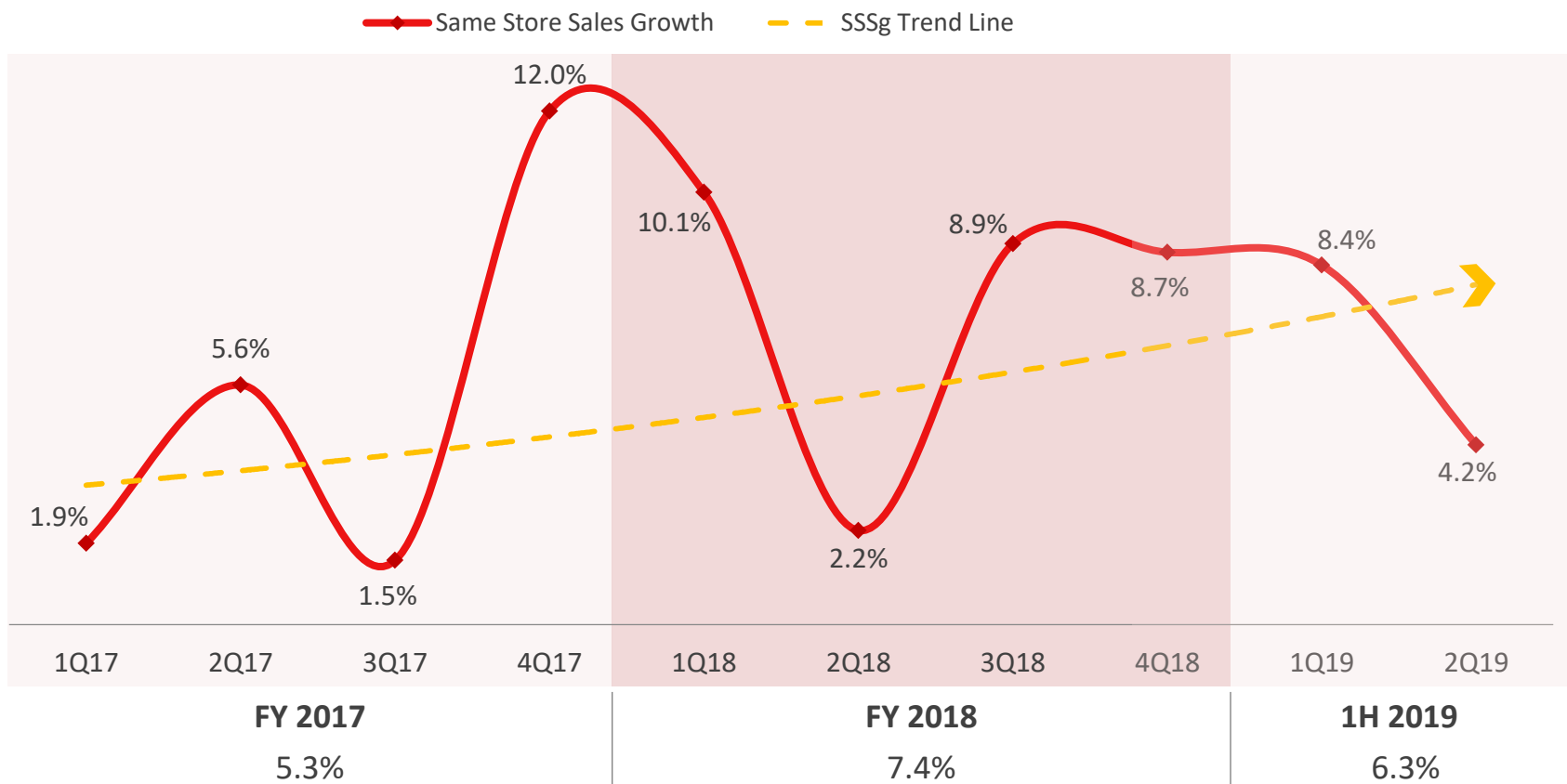
Total store



Pou Sheng Same Store Sales Growth (SSSg)



(%)



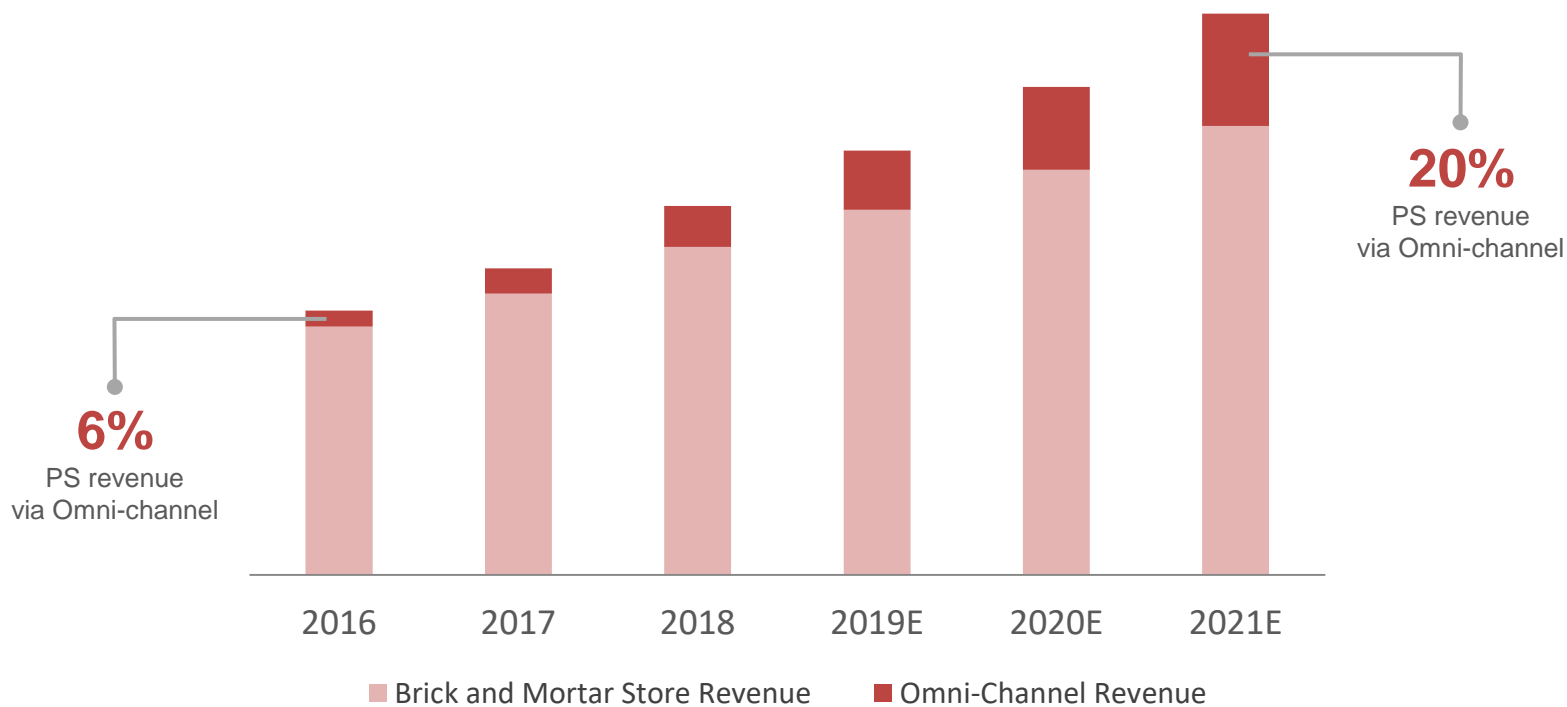
Penetration into Omni-Channel

PS expanded into online business in 2013

Y Omni-channel business contributed 11% of total revenue in FY 2018

2021 Target for PS Omni-channel

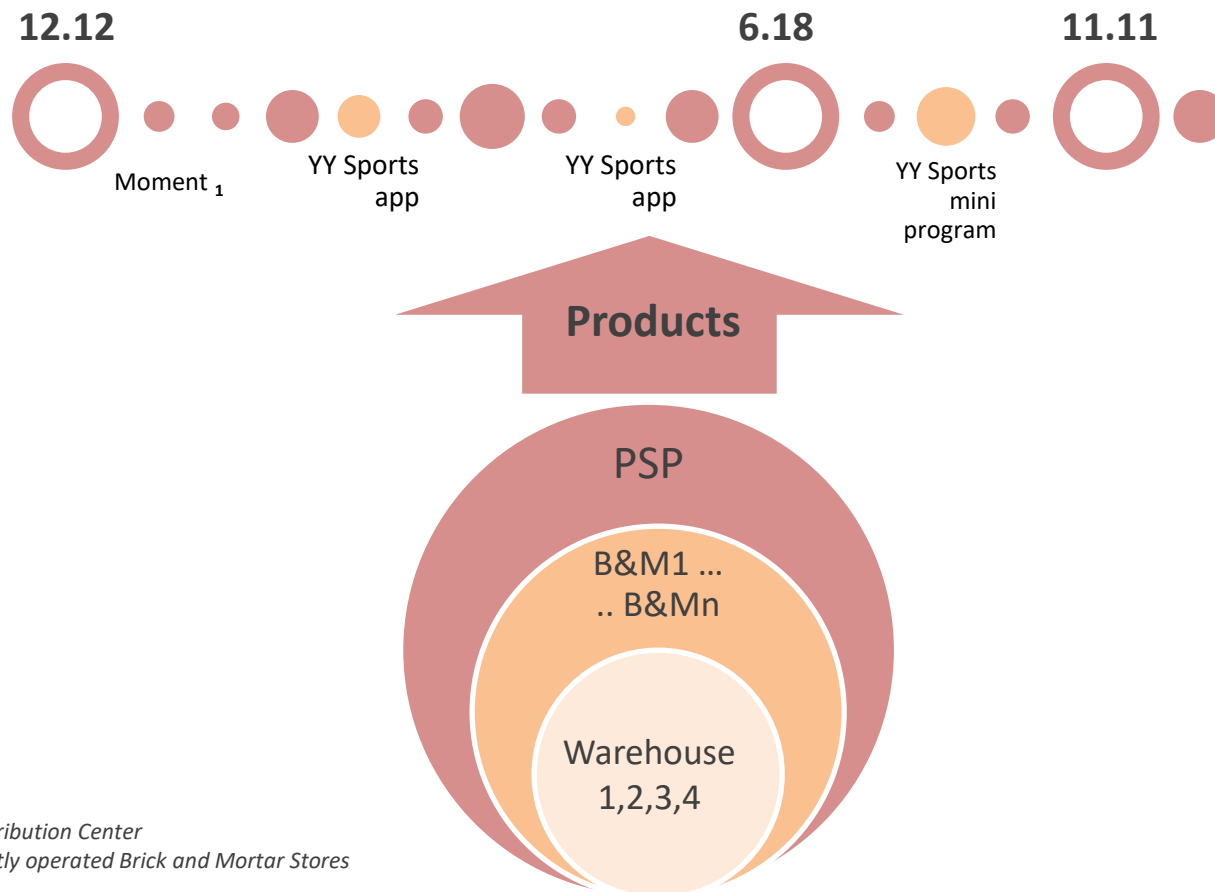
- Y **More in-season sales and more effective off-season products** through various 3rd party channels
- Y **Product Sharing Platform** between online and brick and mortar stores
- Y **Enhancing e-commerce business** via YYSports platform and cooperating with strategic partners
- Y **Enhanced Operating Margin of Omni-channel**



PS Product Sharing Platform (PSP)

- Logistics of omni-channel will be facilitated through all-rounded channels: RDC, YYsports.com, 3rd party online platform, 26-Zone inventory sharing and Direct B&M

365-day O2O, earlier sales, higher price, VIA PSP

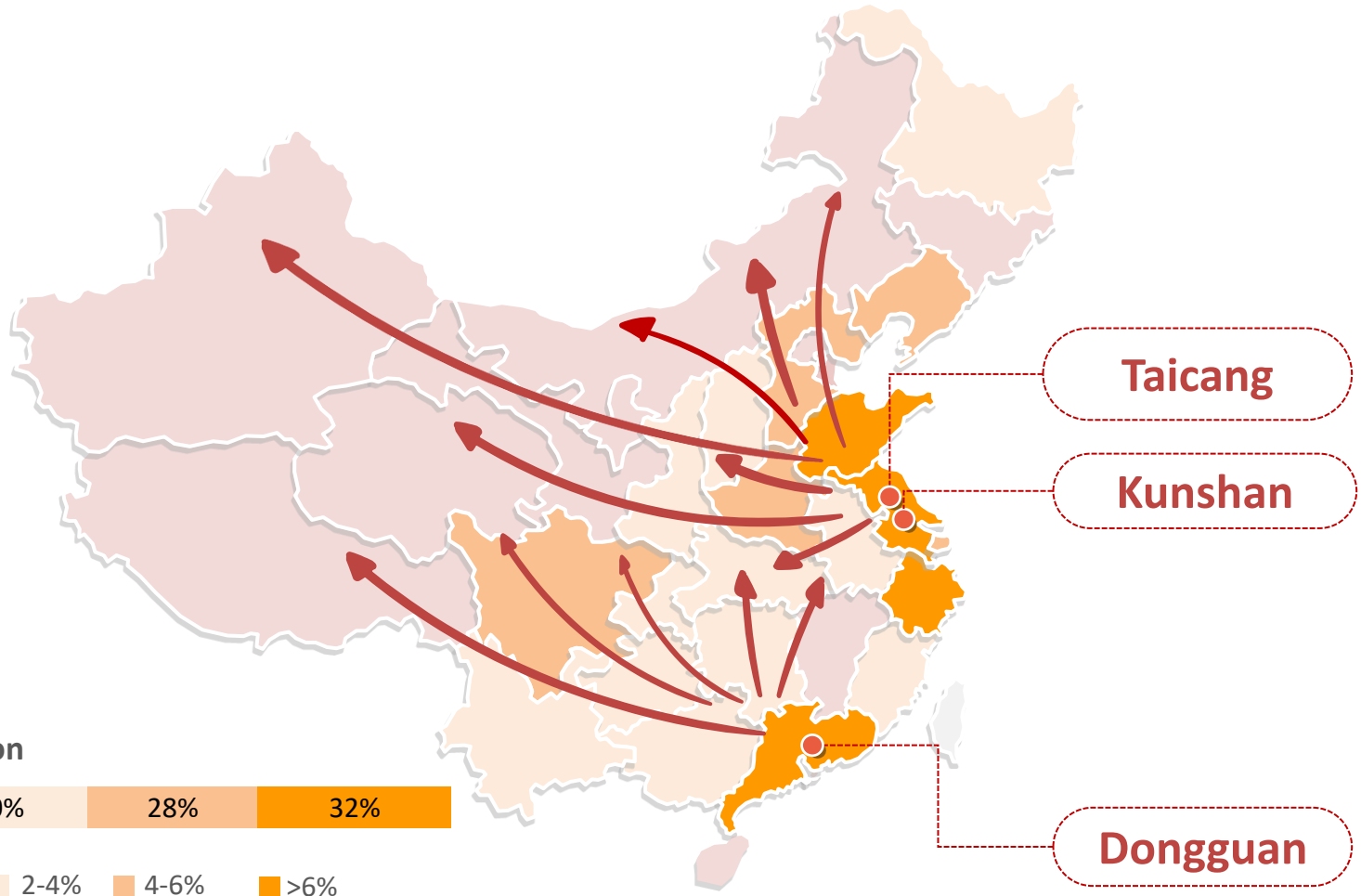


RDC: Regional Distribution Center

Direct B&M : Directly operated Brick and Mortar Stores

PS Product Sharing Platform (PSP)

Participation rate: Direct B&M stores accounted for over 50% sales participate PSP

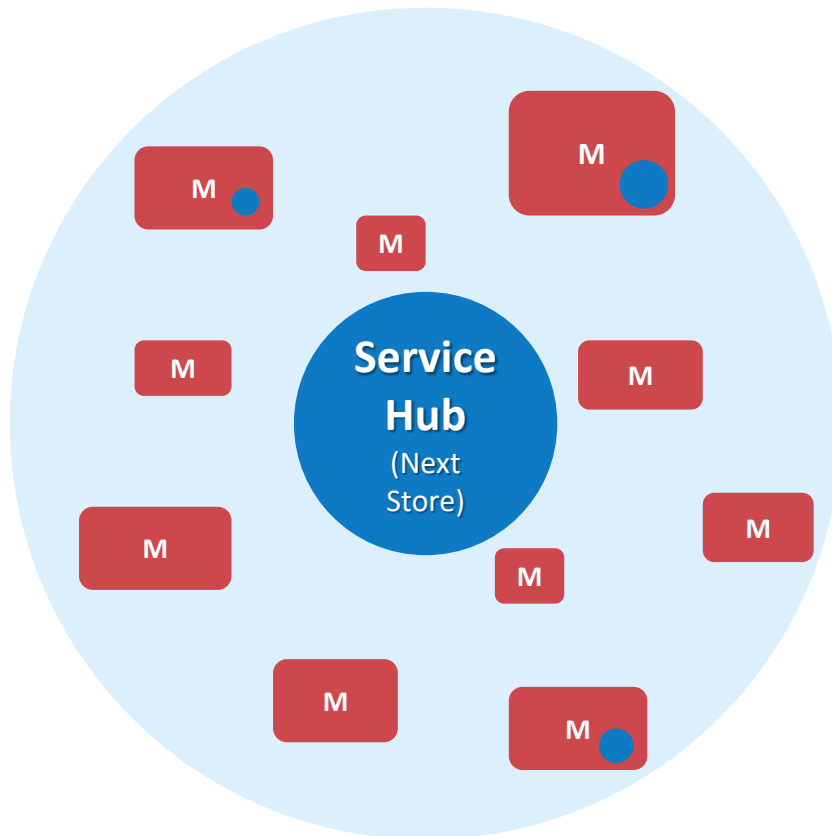


New Service Hub to Enhance Omni-channel Capability

“Low Conversion Offline Network”
+
“Discount Online Network”



“Normal price + premium services” by omni-platform connecting to efficient retail network



● Service Hub (Next Store)

- ☪ Series of **1-day** event
- ☪ **364 days** fun services
- ☪ **Products** with stories & outfit consultations



● Online 24/7 Communication Platform

- ☪ **Magazine-like** contents to “Make sports your life”
- ☪ Partnering with **strategic resources** to enact inactive target audiences

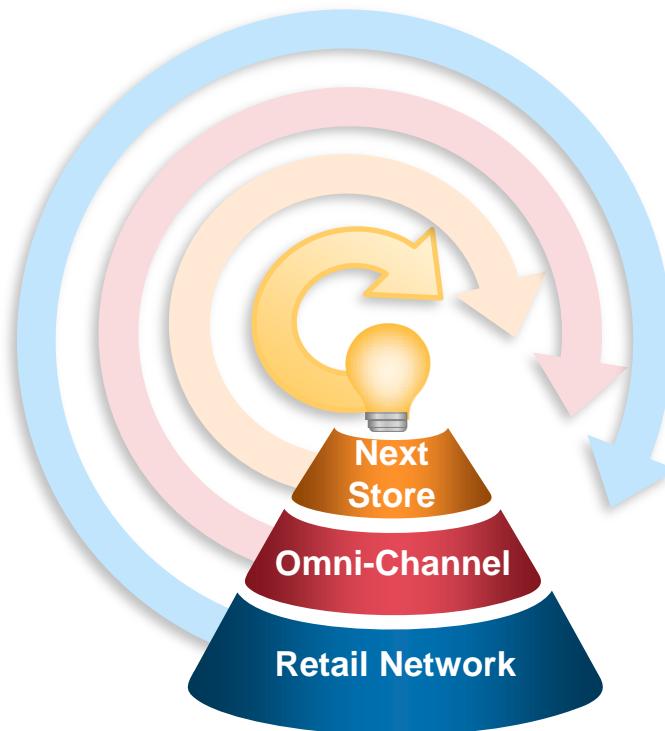
■ Mono Brand Stores

- ☪ Convert shoppers into loyal members
(Less stores more sales)
- ☪ Membership w/ privilege to Service Hub
(Higher sales conversion rate)
- ☪ Modularized services in mono brand stores
(Uniqueness)

Year 2021 Target: Profitable Growth

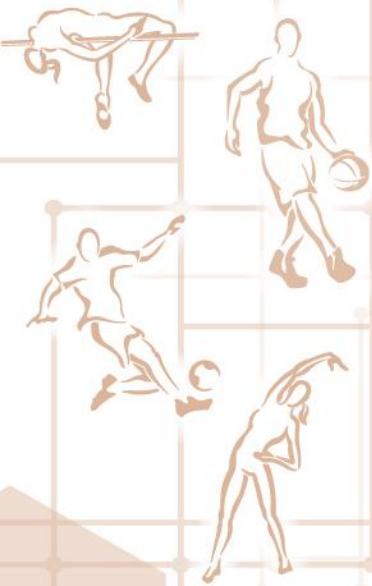
2021 Target

- **Total revenue** growth in mid-teens, with **omni-channel** contributing 20% of total revenue
- Integrating the **Service Hub model** into our strong brick and mortar stores foundation
- Turnaround of **emerging brands** and **licensee brands**
- Better ROI of **sports events platform (PCG Bros)**
- **Operating margin** improving by 2 percentage points



“Creating Value-added Services and Quality Experiences to Customers”

Appendix



Company Milestones



- 
- A vertical timeline of company milestones is overlaid on a light pink map of China. The timeline consists of a vertical red line with circular markers at each year. The milestones are listed as follows:
- 2019** ● Omni-channel contributed ~12% of total sales in 1H19
 - 2018** ● Recorded over RMB 22bn revenue. Sales channels reached over 9,000
 - 2016** ● Recorded over RMB 15bn revenue
Became sole licensee for Rockport, Levi's footwear and GEOX in China
 - 2014** ● Became sole licensee for Pony in Taiwan & China
 - 2013** ● Recorded over RMB 10bn revenue
 - 2008** ● **Pou Sheng International listed on HKEX (3813.HK)**
 - 2002** ● Became sole licensee for Hush Puppies in Taiwan
 - 2001** ● Expanded into retail business in China

Pou Sheng Financial Highlights (in RMB)



	1H 2019		1H 2018		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
Revenue	13,372	100.00	11,202	100.00	+19.37%
Cost of Sales	(8,756)	-65.48	(7,446)	-66.47	+17.59%
Gross Profit	4,616	34.52	3,756	33.53	+22.90%
SG&A	(4,021)	-30.07	(3,387)	-30.24	+18.72%
Other Income & Expenses, net	179	1.34	161	1.44	+11.18%
Operating Profit	774	5.79	530	4.73	+46.04%
Finance Cost*	(113)	-0.85	(69)	-0.62	+63.77%
Share of Results of A&JV	1	0.01	(0.9)	-0.01	+211.11%
Other Gains and Losses	(10)	-0.08	-	N/A	N/A
Income Tax	(189)	-1.41	(142)	-1.27	+33.10%
Profit for the Period	463	3.46	318	2.84	+45.91%
Profit Attrib. to Owners of PS	427	3.20	307	2.74	+39.41%

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1H2019 & 1H2018

*Finance Cost in 1H19 grew by 63.8% due largely to the RMB 42.5mn effects of the application of HKFRS16

Pou Sheng Financial Highlights (in USD)



	1H 2019		1H 2018		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
Revenue	1,968,064	100.00	1,752,751	100.00	+12.28%
Cost of Sales	(1,288,678)	-65.48	(1,165,031)	-66.47	+10.61%
Gross Profit	679,386	34.52	587,720	33.53	+15.60%
SG&A	(587,851)	-29.87	(527,487)	-30.09	+11.44%
Other Income & Expenses, net	22,411	1.14	22,751	1.30	-1.36%
Operating Profit	113,976	5.79	82,984	4.73	+37.35%
Finance Cost*	(16,599)	-0.85	(10,830)	-0.62	+53.27%
Share of Results of A&JV	158	0.01	(141)	-0.01	N/A
Other Gains and Losses	(1,470)	-0.08	-	N/A	N/A
Income Tax	(27,857)	-1.41	(22,324)	-1.27	+24.78%
Profit for the Period	68,208	3.46	49,689	2.83	+37.27%
Profit Attrib. to Owners of PS	62,911	3.20	48,009	2.74	+31.04%

Source: Internal analysis report (figures rounded); various accounting **reclassification** and **adjustments** are made to some of the figures when consolidating Pou Sheng numbers into the Yue Yuen Group in order to comply with the requirements of accounting standards

*Finance Cost in 1H19 grew by 53.3% due largely to the US\$6.3mn effects of the application of HKFRS16

Pou Sheng Financial Highlights (in RMB)



	FY 2018		FY 2017		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
Revenue	22,677	100.00	18,833	100.00	+20.41%
Cost of Sales	(15,078)	-66.49	(12,239)	-64.99	+23.20%
Gross Profit	7,599	33.51	6,594	35.01	+15.24%
SG&A	(6,913)	-30.49	(6,052)	-32.13	+14.23%
Other Income & Expenses, net	281	1.24	228	1.21	+23.25%
Operating Profit	967	4.26	770	4.09	+25.58%
Finance Cost	(144)	-0.64	(100)	-0.53	+44.00%
Share of Results of A&JV	(1)	-0.00	(4)	-0.02	-75.00%
Other Gains and Losses	-	N/A	(9)	-0.05	N/A
Income Tax	(261)	-1.15	(242)	-1.29	+7.85%
Profit for the Year	561	2.47	415	2.20	+35.18%
Profit Attrib. to Owners of PS	543	2.39	394	2.09	+37.82%

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2018 & FY2017

Pou Sheng Financial Highlights *(in USD)*



	FY 2018		FY 2017		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
Revenue	3,421,657	100.00	2,775,400	100.00	+23.29%
Cost of Sales	(2,275,156)	-66.49	(1,803,726)	-64.99	+26.14%
Gross Profit	1,146,501	33.51	971,674	35.01	+17.99%
SG&A	(1,038,884)	-30.37	(886,324)	-31.93	+17.21%
Other Income & Expenses, net	38,270	1.12	28,163	1.01	+35.89%
Operating Profit	145,887	4.26	113,513	4.09	+28.52%
Finance Cost	(21,665)	-0.64	(14,814)	-0.53	+46.25%
Share of Results of A&JV	(140)	-0.00	(526)	-0.02	-73.38%
Other Gains and Losses	-	N/A	(1,321)	-0.05	N/A
Income Tax	(39,452)	-1.15	(35,690)	-1.29	+10.54%
Profit for the Year	84,630	2.47	61,162	2.20	+38.37%
Profit Attrib. to Owners of PS	81,913	2.39	58,110	2.09	+40.96%

Source: Internal analysis report (figures rounded); various accounting **reclassification** and **adjustments** are made to some of the figures when consolidating Pou Sheng numbers into the Yue Yuen Group in order to comply with the requirements of accounting standards

Thank you
Q&A

