



2022

Exp⁺

INTERIM REPORT
中期報告

SPORTS

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)



YYSPORTS



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lee, Shao-Wu (Chairman) (appointed as Chairman and resigned as Chief Executive Officer on July 1, 2022)
Liao, Yuang-Whang (resigned as Chief Financial Officer on June 1, 2022)
Hu, Chia-Ho (appointed on July 1, 2022)
Wu, Pan-Tsu (retired as Chairman on July 1, 2022)

Non-executive Directors

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors

Chen, Huan-Chung
Feng Lei Ming
Liu, Hsi-Liang (appointed on March 25, 2022)
Hsieh, Wuei-Jung (resigned on March 25, 2022)

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

Lee, Shao-Wu (Chairman)
Liao, Yuang-Whang
Hu, Chia-Ho

AUTHORISED REPRESENTATIVES

Lee, Shao-Wu
Yip Wing Ming

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
Bank SinoPac Company Limited
Citibank (China) Co., Limited
Industrial and Commercial Bank of China Limited
Jih Sun International Bank
Mizuho Bank (China), Limited
Mizuho Bank, Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) 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	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	Change
Revenue	9,864,815	13,073,865	-24.5%
Gross profit	3,495,946	4,722,074	-26.0%
Operating profit	208,329	933,383	-77.7%
Profit attributable to owners of the Company	17,413	635,852	-97.3%
Gross profit margin (%)	35.4%	36.1%	-0.7 ppt
Operating profit margin (%)	2.1%	7.1%	-5.0 ppt
Basic earnings per share (RMB cents)	0.34	12.24	-97.2%

As at			
Financial position	June 30, 2022 RMB'000 (unaudited)	December 31, 2021 RMB'000 (audited)	Change
Inventories	6,649,444	7,578,037	-12.3%
Trade and other receivables	3,108,387	2,807,379	10.7%
Bank balances and cash	1,236,716	1,233,783	0.2%
Bank borrowings	2,099,883	1,581,640	32.8%

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 24, which comprises the condensed consolidated statement of financial position as of June 30, 2022 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 (the "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, 2022

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

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, 2022 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED JUNE 30, 2022

		For the six months ended June 30,	
	NOTES	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	9,864,815	13,073,865
Cost of sales		(6,368,869)	(8,351,791)
Gross profit		3,495,946	4,722,074
Other operating income and gains (losses)		164,243	222,758
Selling and distribution expenses		(3,075,931)	(3,606,935)
Administrative expenses		(375,929)	(404,514)
Operating profit		208,329	933,383
Finance costs	5	(91,451)	(109,509)
Finance income		10,583	14,557
		(80,868)	(94,952)
Share of results of joint ventures		-	24,649
Other losses		(6,274)	(10,172)
Profit before taxation		121,187	852,908
Income tax expense	4	(97,000)	(202,640)
Profit for the period	5	24,187	650,268
Attributable to:			
Owners of the Company		17,413	635,852
Non-controlling interests		6,774	14,416
		24,187	650,268
Earnings per share	7		
- Basic		RMB0.34 cent	RMB12.24 cents
- Diluted		RMB0.34 cent	RMB12.20 cents

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	For the six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Profit for the period	24,187	650,268
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)	(88)
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(727)	(453)
Other comprehensive expense for the period	(1,882)	(541)
Total comprehensive income for the period	22,305	649,727
Attributable to:		
Owners of the Company	15,531	635,311
Non-controlling interests	6,774	14,416
	22,305	649,727

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2022

	NOTES	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Non-current assets			
Investment properties		88,900	88,900
Property, plant and equipment	8	959,723	1,122,074
Right-of-use assets	8	2,537,121	2,890,219
Deposits paid for acquisition of property, plant and equipment		31,639	44,792
Rental deposits		153,569	168,453
Intangible assets		66,034	70,253
Goodwill		522,163	522,163
Interests in joint ventures		-	-
Equity instrument at fair value through other comprehensive income		1,800	3,019
Deferred tax assets		84,948	56,145
		4,445,897	4,966,018
Current assets			
Inventories		6,649,444	7,578,037
Trade and other receivables	9	3,108,387	2,807,379
Taxation recoverable		15,717	73,763
Bank balances and cash		1,236,716	1,233,783
		11,010,264	11,692,962
Assets classified as held for sale		27,918	-
		11,038,182	11,692,962

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AT JUNE 30, 2022

	NOTES	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Current liabilities			
Trade and other payables	10	2,175,723	3,542,079
Contract liabilities		516,034	445,644
Taxation payable		20,528	40,332
Bank borrowings		2,099,883	1,581,640
Lease liabilities		875,562	978,018
		5,687,730	6,587,713
Liabilities associated with assets classified as held for sale		12,918	-
		5,700,648	6,587,713
Net current assets		5,337,534	5,105,249
Total assets less current liabilities		9,783,431	10,071,267
Non-current liabilities			
Deferred tax liabilities		25,388	26,207
Lease liabilities		1,601,737	1,842,864
		1,627,125	1,869,071
Net assets		8,156,306	8,202,196
Capital and reserves			
Share capital	11	46,438	46,438
Reserves		7,996,362	8,049,026
Equity attributable to owners of the Company		8,042,800	8,095,464
Non-controlling interests		113,506	106,732
Total equity		8,156,306	8,202,196

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	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	Share-based compensation 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, 2021 (audited)	46,688	5,175,342	676,506	(1,486,701)	55,395	29,544	6,381	827	(233,775)	13,333	893	730,933	(11,643)	2,766,478	7,770,201	105,829	7,876,030
Fair value loss on investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	(88)	-	-	-	-	-	-	(88)	-	(88)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	(453)	-	-	(453)	-	(453)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	635,852	635,852	14,416	650,268
Total comprehensive income for the period	-	-	-	-	-	-	-	(88)	-	-	-	(453)	-	635,852	635,311	14,416	649,727
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	-	2,601	-	-	-	-	2,601	-	2,601
Share award vested	-	-	-	-	-	-	-	-	12,331	(7,559)	-	-	-	(4,772)	-	-	-
Dividend declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,000)	(28,000)
Deemed disposal of partial interest in a subsidiary	-	-	-	(6,235)	-	-	-	-	-	-	-	-	-	-	(6,235)	6,235	-
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,500	3,500
Transfer	-	-	-	-	-	-	-	-	-	-	-	34,107	-	(34,107)	-	-	-
At June 30, 2021 (unaudited)	46,688	5,175,342	676,506	(1,492,936)	55,395	29,544	6,381	739	(221,444)	8,375	893	765,040	(12,096)	3,363,451	8,401,878	101,980	8,503,858
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 at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,155)	-	-	-	-	-	-	(1,155)	-	(1,155)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	(727)	-	-	(727)	-	(727)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	17,413	17,413	6,774	24,187
Total comprehensive 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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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.

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	For the six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash from operating activities	324,083	989,350
Net cash used in investing activities		
Payment for acquisition of property, plant and equipment/deposits paid for acquisition of property, plant and equipment	(143,806)	(223,532)
Advance to a non-controlling interest of a subsidiary	(34,000)	(68,000)
Payments for right-of-use assets	(2,017)	(7,865)
Repayment of advance to a non-controlling interest of a subsidiary	34,000	68,000
Receipt for rental deposits	16,755	10,854
Interest received	10,583	14,557
Proceeds from disposal of property, plant and equipment	8,410	5,836
Proceeds received from disposal of non-current assets classified as held for sale	-	4,657
	(110,075)	(195,493)
Net cash used in financing activities		
Repayment of bank and other borrowings	(1,410,311)	(1,301,634)
Repayments of lease liabilities, including related interests	(615,010)	(679,475)
Dividends paid	(70,805)	-
Interest paid on bank and other borrowings	(36,673)	(37,270)
New bank and other borrowings raised	1,930,672	1,268,850
Capital contribution by a non-controlling interest	-	3,500
	(202,127)	(746,029)

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	For the six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net increase in cash and cash equivalents	11,881	47,828
Cash and cash equivalents at beginning of the period	1,233,783	1,742,290
Effect of foreign exchange rate changes	(1,690)	(238)
	1,243,974	1,789,880
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	1,236,716	1,789,880
Cash and cash equivalents included in assets classified as held for sale	7,258	-
	1,243,974	1,789,880

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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.

Other than the change in accounting policy resulting from agenda decision of the International Financial Reporting Standards Interpretations Committee (the “Committee”) of the International Accounting Standards Board (the “IASB”), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2021.

2.1 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, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

In addition, the Group applied the agenda decision of the Committee of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of amendments to HKFRSs and the Committee’s agenda decision in the current 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.

2.2 Impacts on application of the agenda decision of the Committee - Costs necessary to sell inventories

2.2.1 Accounting policy

The application of the Committee’s agenda decision results in change in accounting policy for inventories:

Inventories

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.2.2 Transition and summary of effects

The application of the Committee’s agenda decision has had no material impact on the Group’s condensed consolidated financial statements and performance.

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. No other discrete financial information is presented.

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	9,807,723	13,008,017
Commissions from concessionaire sales	57,092	65,848
	9,864,815	13,073,865

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax		
– Current period	103,746	221,755
– Under(over)provision in prior periods	9,297	(4,252)
Withholding tax on dividend	13,635	–
Current tax charge – total	126,678	217,503
Deferred tax credit	(29,678)	(14,863)
	97,000	202,640

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. FINANCE COSTS/PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
(a) Finance costs		
Interest expenses on bank and other borrowings	33,794	38,027
Interest expenses on lease liabilities	57,657	71,482
	91,451	109,509
(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)	1,258,961	1,412,691
Depreciation of right-of-use assets	568,551	624,544
Depreciation of property, plant and equipment	254,500	270,914
Net changes in allowance for inventories (included in cost of sales)	84,006	(12,861)
Amortisation of intangible assets (included in selling and distribution expenses)	4,219	50,520
Gross rental income from investment properties, net of direct expenses	(2,012)	(2,296)
Loss on disposal of property, plant and equipment (included in other operating income and gains (losses))	5,600	19,191
Impairment losses(reversal) recognised on trade and other receivables, net (included in other operating income and gains (losses))	3,455	(3,953)
Impairment losses recognised on property, plant and equipment (included in other losses) (note)	2,471	-
Impairment losses recognised on right-of-use assets (included in other losses) (note)	3,803	-
Impairment loss of an intangible asset (included in other losses)	-	10,172

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, 2022 and 2021, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

note: The amounts represent impairment losses allocated to the respective assets immediately before the initial classification of certain assets classified as held for sale of certain subsidiaries as fair value less cost of disposal are less than the carrying amount of the relevant assets minus associated liabilities.

6. DIVIDENDS

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

Subsequent to the end of the current interim period, the Directors have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2021: nil).

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,	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	17,413	635,852

	For the six months ended June 30,	
	2022 (unaudited)	2021 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,172,690,740	5,193,775,897
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	5,800,905	18,199,130
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,178,491,645	5,211,975,027

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.

The computation of diluted earnings per share for the six months ended June 30, 2021 did not assume the exercise of share options of the Company because the exercise price of those options was higher than the average market price for shares.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

During the current interim period, the Group acquired property, plant and equipment of RMB109,165,000 (six months ended June 30, 2021: RMB162,867,000).

During the current interim period, the Group has disposed of/written off certain property, plant and equipment with an aggregate carrying amount of RMB14,010,000 (six months ended June 30, 2021: RMB25,027,000) for cash proceeds of RMB8,410,000 (six months ended June 30, 2021: RMB5,836,000), resulting in a loss on disposal/written off of RMB5,600,000 (six months ended June 30, 2021: RMB19,191,000).

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. 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 RMB109,130,000 and RMB170,030,000, respectively (six months ended June 30, 2021: RMB466,162,000 and RMB175,676,000, respectively). The Group derecognised the right-of-use assets resulting from lease modifications amounting to RMB59,520,000 (six months ended June 30, 2021: RMB57,951,000).

At the end of the current interim period, capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements as was RMB89,127,000 (December 31, 2021: RMB70,541,000), 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 5 years (2021: 1 to 5 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB5,320,000 (December 31, 2021: RMB15,315,000).

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 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, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
0 – 30 days	1,055,810	1,105,075
31 – 90 days	54,987	59,225
Over 90 days	-	703
	1,110,797	1,165,003

10. 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, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
0 – 30 days	749,351	1,654,102
31 – 90 days	-	10
Over 90 days	1,305	984
	750,656	1,655,096

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, 2021, June 30, 2021, January 1, 2022 and June 30, 2022	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2021 and June 30, 2021	5,356,847,615	53,568
Repurchase of own shares	(30,668,000)	(307)
At January 1, 2022 and June 30, 2022	5,326,179,615	53,261
	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 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 OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company's share option scheme was adopted pursuant to a shareholder's resolution passed on May 14, 2008 and amended on March 7, 2012. Movements in the number of share options outstanding and their related weighted average exercise prices for the six months ended June 30, 2021 were as follows:

	Weighted average exercise price HK\$	Number of share options
As at January 1, 2021 (audited)	2.49	1,166,320
Exercised	N/A	-
Lapsed	N/A	-
As at June 30, 2021 (unaudited)		1,166,320
Exercisable at June 30, 2021 (unaudited)	2.49	1,166,320

The above share options lapsed during the year ended December 31, 2021 and no share option was outstanding during the six months ended June 30, 2022.

(b) 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	
	2022	2021
As at January 1, (audited)	15,967,500	19,597,200
Granted	-	8,340,000
Vested	(5,464,000)	(8,888,000)
Lapsed	(443,500)	(1,163,600)
As at June 30, (unaudited)	10,060,000	17,885,600

A total of 151,021,560 ordinary shares of the Company were held by the trustee of the Share Award Scheme as at June 30, 2022 (December 31, 2021: 156,485,560 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	2022	2021
		RMB'000 (unaudited)	RMB'000 (unaudited)
Yue Yuen and its subsidiaries	Purchase of footwear products by the Group	1,903	1,641
	Operating lease payment	614	621
	Management fees charged to the Group	2,443	1,175
Joint venture of the Group	Sales of sportswear products by the Group	-	1,142,087
	Logistic service income by the Group	-	18,940
	Management fees charged to the Group	-	145,828
	Interest expenses charged to the Group	-	6,109
Non-controlling interest of a subsidiary	Interest income charged by the Group	890	927
		At	At
Relationship	Nature of balances	June 30,	December 31,
		2022	2021
		RMB'000	RMB'000
		(unaudited)	(audited)
Non-controlling interest of a subsidiary	Other receivables of the Group	34,000	34,000
	Other payables of the Group	2,800	2,800

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Environment

Despite a spending rebound in January this year, retailers across mainland China faced tremendous pressures in the first half of 2022, which resulted from the control measures for avoiding mass spread of COVID-19 pandemic (the "Pandemic"), such as lockdowns in specific regions, transportation controls across the country. Traffic down in shopping mall as a new normal as well as consumer behaviour changes due to the continuing Pandemic impact since 2020. Total retail sales of consumer goods in the first half of 2022 in China fell 0.7% year-on-year, indicating a sluggish consumer demand across the market.

The Group was not spared, despite starting the year off strong, the resurgence of Pandemic causing temporary shuttering of some of its retail stores and a significant drop of store traffic in shopping venues across cities in which it operates, not just those which experienced government-imposed lockdowns. Other challenges such as a shortage of product supplies and the hindered last-mile delivery further dampened the situation, which led to soft sales performance in the first half of 2022. However, owing to the Group's relentless efforts in digital transformation, the online B2C sales showed relative resilient performance, particularly the private domain channels, covering WeChat stores, Douyin and shopping mall membership platforms that continue to register robust growth. Situation started to improve from late May, supported by a sequential improvement of footfall and logistics.

Throughout the challenging headwinds, the Group continued to progress its retail refinement strategy to prepare itself for recovery later in the year. This included strengthening and diversifying its online public and private traffic domains to enhance its channel mix, deliver better conversion rates and more in-season full-price sales, further streamlining and refining its brick and mortar ("B&M") network, as well as deepening engagement with customers and increasing operational efficiency. The Group also deepened its collaboration with brands to create seamless shopping experience, prioritise healthier sales and enhance inventory integration.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Channel Management - B&M

Sales momentum within the Group's B&M network was acutely affected by continued sporadic outbreaks of the Pandemic, movement restrictions and weak overall consumer sentiment in mainland China. Sales recovered sequentially in May and June which benefited from improved in-store traffic, despite a higher proportion of the Group's stores are located in higher-end shopping venues in higher tier cities. The Group also continued to close or upgrade underperforming stores while opening stores with holistic views, which optimising the investment returns by considering all business regions as a whole and prioritising regions with convincing potential and outstanding operating track records, and to open stores after thorough assessments, not according to the allocation from brands only. As at June 30, 2022, the Group's retail network totalled 7,961 stores, consisting of 4,455 directly operated stores and 3,506 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	June 30, 2022	June 30, 2021
At the beginning of the period	4,631	5,240
Net decrease in the number of stores	(176)	(272)
At the end of the period	4,455	4,968

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

	June 30, 2022		June 30, 2021	
	Number	%	Number	%
Selling area				
300 m ² or smaller	3,702	83.1	4,267	85.9
Larger than 300 m ²	753	16.9	701	14.1
Total	4,455	100.0	4,968	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

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 first half of 2022, the Group continued to invest in optimising store formats and accelerated its digital transformation by integrating its WeChat stores, membership programme and sports services into its B&M network to enrich the consumer experience and stimulate more repeated purchases with higher-margin and in-season sales within its offline network.

Channel Management - Omni-channels

The Group's omni-channels include its public traffic domains, covering the operation on 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 digital platforms.

In the first half of 2022, logistics and last-mile delivery were also hindered by continuous lockdown and control measures across mainland China. These adversely impacted the Group's overall online performance despite the situation started to improve in the second half of May. Encouragingly, Pan-WeChat Ecosphere is proving to be an increasingly lucrative and effective sales channel for the Group, delivering better conversion rates, shorter sales cycles and more full-price in-season sales launched at an earlier time. The Group digital sales capabilities in private domain channels were further elevated and experienced a strong growth during the first half of 2022. Through the Pan-WeChat Ecosphere, the Group continued to embed its ExP (Energy x Power) membership programme operated under the brand name of YYsports with more value-added services, diverse content and member-exclusive benefits, as well as with Douyin livestreams conducted by designated Key Opinion Staff. By continuing to invest in and allocate more resources to its private traffic domain, the Group aims to establish sustainable consumer loyalty, which was boosted by the provision of more grass-root sports-related services.

During the first half of 2022, the Group continued to strengthen and grow its omni-channels in order to deepen and expand its engagement with shoppers and to deliver better operational efficiency. During the period, the Group's omni-channels contributed approximately 21% of its total sales.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Investment in Sports Services

The Group continued to leverage the YYsports WeChat Mini-Program in the Greater China region, boosting the Group's ExP membership programme while offering diversified sports services content, interactive features, and other related services, to support in-depth membership management, and to facilitate a seamless online and offline customer experience.

The 'Next Stores' in Taiwan and Shenyang of the Group that specialised for sports services continued to serve as an integrated innovative touchpoint, empowering its ExP sports services ecosystem. These large-scale stores are designed to support the growth of the Group's omni-channel capabilities, allowing different sports services to be modularised and customised in ways that can be easily integrated into the Group's other B&M stores as required. 'Next Stores' also act as a service hub, offering a wide and diverse range of sports products digitally, alongside sports travel packages, regular broadcasts, unique reading/meditation environments, café corners, training services, sports events, colourful experiences, workshops, product and lifestyle consultations, as well as health and fitness meals – all derived from grass root sports activities organised by professional teams located in the Group's headquarters and branch offices nationwide.

Enhanced Sharing Mechanism and Continued Retail Excellence

The Group continued to reinforce its product sharing platform ("PSP") and enhance its Omni-Hub programme with brand and shopping mall partners to efficiently share products and services across different online platforms to optimise its services to loyal members and consumers.

The Group also continued to invest in its business intelligence system and digital tools to drive future retail excellence, particularly in areas such as real-time in-store efficiency and resource optimisation.

The Group's continued investments in its omni-channels and sports services remain essential for developing its unique core competencies, maintaining its competitiveness, and supporting its long-term development. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS

Financial Review

In the first half of 2022, the Group recorded revenue of RMB9,864.8 million, representing a decrease of 24.5% compared with the same period of last year. Gross profit was RMB3,495.9 million, a decrease of 26.0% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2022 was RMB17.4 million.

Revenue

The Group's total revenue in the first half of 2022 decreased 24.5% to RMB9,864.8 million, as compared with the same period of last year. The decrease was mainly attributed to weak foot traffic in the shopping venues and cities where the Group operates following the Pandemic lockdowns and local government's closed-loop management across mainland China, despite of experiencing a good start at the beginning of the year with continued resilient performance of its Pan-WeChat Ecosphere.

For the six months ended June 30,

	2022 RMB million	2021 RMB million	Change
Revenue	9,864.8	13,073.9	-24.5%
Cost of sales	(6,368.9)	(8,351.8)	-23.7%
Gross profit	3,495.9	4,722.1	-26.0%
Gross profit margin (%)	35.4%	36.1%	-0.7 ppt

Gross Profit

The Group's gross profit in the first half of 2022 amounted to RMB3,495.9 million with a gross profit margin of 35.4%. The gross profit margin decreased by 0.7 percentage point compared to the same period of last year. Gross profit margin showed resilience year-over-year, which was mainly attributed to an enhanced channel mix and effective promotion strategy within the current volatile retail environment.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses in the first half of 2022 were RMB3,075.9 million (first half of 2021: RMB3,606.9 million), accounting for 31.2% of the Group's revenue (first half of 2021: 27.6%). 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, logistic expenses and other expenses.

Administrative expenses in the first half of 2022 were RMB375.9 million (first half of 2021: RMB404.5 million), accounting for 3.8% of the Group's revenue (first half of 2021: 3.1%). 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 in the first half of 2022 were RMB3,451.8 million, a decrease of 13.9% compared to the first half of 2021. This was equivalent to 35.0% of total revenue, an increase of 4.3 percentage points year-on-year.

Operating Profit

The Group's operating profit in the first half of 2022 was RMB208.3 million, with an operating margin of 2.1%.

Finance Income and Finance Cost

Finance income in the first half of 2022 was RMB10.6 million, compared to RMB14.6 million in the first half of 2021. Finance costs in the first half of 2022 was RMB91.5 million, compared to RMB109.5 million in the first half of 2021, primarily as a result of a decrease in interest expense on lease liabilities during the period under review.

Profit for the Period

The Group recorded a net profit of RMB24.2 million in the first half of 2022, representing a decline of 96.3% as compared with the same period of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Working Capital Efficiency

The average inventory turnover period for the first half of 2022 was 202 days (first half of 2021: 129 days). The balance of inventory as at June 30, 2022 was RMB6,649.4 million as a result of the acquisition of a joint venture and weak sales that was partially offset by efforts to digest excessive inventory. The average trade receivables turnover period was 21 days (first half of 2021: 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 in the first half of 2022 was 34 days (first half of 2021: 30 days).

Liquidity and Financial Resources

As at June 30, 2022, the Group had solid cash and cash equivalents amounting to RMB1,236.7 million (December 31, 2021: RMB1,233.8 million) while working capital (current assets minus current liabilities) was RMB5,337.5 million (December 31, 2021: RMB5,105.2 million). Total bank and other borrowings increased to RMB2,099.9 million (December 31, 2021: RMB1,581.6 million) and are repayable within one year. Bank and other borrowings were mainly denominated in Renminbi and so were cash and cash equivalents. The Group's loans under fixed rate arrangement made up approximately 98% (December 31, 2021: 99%) of its total bank borrowings.

The Group's gearing ratio as of June 30, 2022, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 25.7% (December 31, 2021: 19.3%). The net debt to equity ratio was 10.6% (December 31, 2021: 4.2%).

The net cash from operating activities in the first half of 2022 was RMB324.1 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in the first half of 2022 was RMB110.1 million, while the net cash used in financing activities was RMB202.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE ANALYSIS (continued)

Capital Expenditure

The Group continued its selective and prudent approach of capital expenditure planning in areas of strategic opening of new stores, ongoing upgrades and expanding experience-driven B&M stores that offer a better shopping experience and store productivity improvements, as well as further optimising its online and B&M networks to capture growth opportunities. As a result, total capital expenditure in the first half of 2022 declined to RMB143.8 million (first half of 2021: RMB223.5 million). As at June 30, 2022, the Group had no material contingent liabilities.

As at June 30, 2022, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB89.1 million (December 31, 2021: RMB70.5 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 5 years (2021: 1 to 5 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB5.3 million (December 31, 2021: RMB15.3 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, 2022, the Group had no significant hedging instruments for managing its foreign exchange exposure. As the exchange rate of 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 in the first half of 2022 was in accordance with the Group's internal policies and guidelines.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS

Even though the current external conditions impacting the Group have started to show some signs of easing, the Pandemic situation in mainland China remains volatile. However, disrupted logistics and last-mile delivery have largely improved, combined with supportive policies such as stimulus programs, the Group is cautiously optimistic about a gradual recovery in the second half of the year.

Meanwhile, the Group will continue to accelerate its digital transformation by strengthening its public and private channel domains. The Group's earlier acquisition of the remaining equity interest in its former joint venture with Vipshop is having a positive impact. This helps the sales of the Group become less reliant on holiday promotions and improve its inventory management efficiency, pave the way for improved profit margins and greater efficiency when market conditions normalise. Meanwhile, the Group will continue to expand its Pan-WeChat Ecosphere, which saw resilient performance within current weak consumer sentiment. All above initiatives will continue to facilitate the Group to strategically pivot its online focus towards more full-price in-season sales, drive repeat purchases through better customer engagement and loyalty.

Elsewhere, the Group aims to further grow its membership services with brand partners to further maximise value for consumers. It will continue to connect membership services with its growing number of digitally-enabled stores to allow more customers to access member-exclusive products, offers and experiences consistent with that available at brand's directly operated stores in Greater China Region.

The Group will also push forward its other innovative strategies developed and rolled out in partnership with brands, especially the rapidly-expanding Omni-Hub programme that focuses on inventory sharing. It will also continue to enhance its business intelligence system and invest in its digital tools, such as 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 also continue to drive its offline and online sales growth, reinforce its in-season sell-through, off-season clearance and margin growth through its PSP with a better procurement strategy, and more effective inventory management. The Group will uphold its focus upgrading and refining its experience-driven B&M stores to offer an even more excellent shopping experience, as well as exploring new co-operation opportunities with business partners that ultimately drives sustainable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS (continued)

In the longer term, the prospects for sports industry in the Greater China region remain bright. Following the highly-successful 2022 Winter Olympics in Beijing, in which China won a record number of medals, the authorities remain committed to high-quality sports development, 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 financial performance and profitability.

HUMAN RESOURCES

As at June 30, 2022, the Group had approximately 28,600 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.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of Pou Sheng International (Holdings) Limited (the “Company” and the “Board”, respectively) has resolved not to declare any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

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

As at June 30, 2022, the interests or short positions of the Company’s directors (the “Directors”) and chief executives 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 the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' 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 (the "Shares")

Name of Directors/ chief executives	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%
Lee, Shao-Wu ²	Beneficial Owner	5,000,000 ³	-	-	-	5,000,000	0.09%
Liao, Yuang-Whang ⁴	Beneficial Owner	1,307,000	-	-	-	1,307,000	0.02%

notes:

- ¹ The total number of issued Shares as at June 30, 2022 was 5,326,179,615.
- ² Mr. Lee, Shao-Wu resigned as the chief executive officer of the Company (the "CEO") on July 1, 2022.
- ³ Included interests in 1,000,000 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, 2022. Details of the awarded Shares are set out in the section "Share Award Scheme" in this interim report.
- ⁴ Mr. Liao, Yuang-Whang resigned as the chief financial officer of the Company (the "CFO") on June 1, 2022.

OTHER INFORMATION

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

Long Positions in shares and underlying shares (continued)

(b) *Associated Corporation – Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")*

Ordinary shares of HK\$0.25 each of Yue Yuen

Name of Directors/ chief executives	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		
Lee, Shao-Wu ²	Beneficial Owner	301,000 ³	-	-	-	301,000	0.02%
Liao, Yuang-Whang ⁴	Beneficial Owner	30,000 ⁵	-	-	-	30,000	0.00%
Wu, Pan-Tsu ⁶	Beneficial Owner	73,000	-	-	-	73,000	0.00%

notes:

- ¹ The total number of issued shares of Yue Yuen as at June 30, 2022 was 1,612,183,986.
- ² Mr. Lee, Shao-Wu resigned as the CEO of the Company on July 1, 2022.
- ³ Included interests in 60,000 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, 2022. Details of the awarded Shares are set out in the section "Arrangement to Acquire Shares or Debentures" in this interim report.
- ⁴ Mr. Liao, Yuang-Whang resigned as the CFO of the Company on June 1, 2022.
- ⁵ 30,000 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, 2022. Details of the awarded shares are set out in the section "Arrangement to Acquire Shares or Debentures" in this interim report.
- ⁶ Mr. Wu, Pan-Tsu retired from all his positions with the Company on July 1, 2022.

OTHER INFORMATION

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

Save as disclosed above, as at June 30, 2022, none of the Directors nor chief executives of the Company 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 under 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 Company and its subsidiaries (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. The scheme is valid and effective for a term of 10 years commencing on May 9, 2014. 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 (the "Remuneration Committee") and approved by the Board. All the share awards 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) as determined by the Board.

The total number of Shares to be awarded under the Share Award Scheme should not exceed 4% of the issued Shares as at the date of grant. The maximum number of Shares (including vested and non-vested Shares) which may be awarded to a selected participant should not exceed 1% of the issued Shares from time to time.

OTHER INFORMATION

SHARE AWARD SCHEME (continued)

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).

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 January 1, 2022	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2022
Director							
Lee, Shao-Wu	23.03.2019	23.03.2019-22.03.2022	500,000	-	(500,000)	-	-
	31.03.2020	31.03.2020-30.03.2022	500,000	-	(500,000)	-	-
	31.03.2020	31.03.2020-30.03.2023	500,000	-	-	-	500,000
	24.03.2021	24.03.2021-23.09.2022	100,000	-	-	-	100,000
	24.03.2021	24.03.2021-23.09.2023	150,000	-	-	-	150,000
	24.03.2021	24.03.2021-23.03.2024	250,000	-	-	-	250,000
Sub-total			2,000,000	-	(1,000,000)	-	1,000,000
Employees							
	23.03.2019	23.03.2019-22.03.2022	4,520,500	-	(4,464,000)	(56,500)	-
	24.03.2021	24.03.2021-23.09.2022	1,441,400	-	-	(50,800)	1,390,600
	24.03.2021	24.03.2021-23.09.2023	2,162,100	-	-	(76,200)	2,085,900
	24.03.2021	24.03.2021-23.03.2024	3,603,500	-	-	(127,000)	3,476,500
	13.08.2021	13.08.2021-12.02.2023	448,000	-	-	(26,600)	421,400
	13.08.2021	13.08.2021-12.02.2024	672,000	-	-	(39,900)	632,100
	13.08.2021	13.08.2021-12.08.2024	1,120,000	-	-	(66,500)	1,053,500
Sub-total			13,967,500	-	(4,464,000)	(443,500)	9,060,000
Grand total			15,967,500	-	(5,464,000)	(443,500)	10,060,000

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
Lee, Shao-Wu	01.06.2021	60,000	31.05.2023	-	60,000
	23.03.2022	88,000	01.06.2022	88,000	-
Liao, Yuang-Whang	01.06.2021	30,000	31.05.2023	-	30,000
Wu, Pan-Tsu ¹	23.03.2022	73,000	01.06.2022	73,000	-

note:

¹ Mr. Wu, Pan-Tsu retired from all his positions with the Company on July 1, 2022.

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, 2022, the register of interests in Shares and short positions of substantial shareholders of the Company (the "Shareholder(s)") maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed in the section "Directors' and Chief Executives' 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	<i>notes</i>	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, 2022 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. Mr. Wu, Pan-Tsu, a Director who retired on July 1, 2022, is also a director of PCC.

Save as disclosed above, as at June 30, 2022, the Directors were not aware of any other person (other than the Directors or chief executives of the Company) 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, 2022 (six months ended June 30, 2021: nil).

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of publication of the Company's 2021 annual report are set out below:

- (a) On March 22, 2022, Mr. Li I-nan entered into a supplemental letter of appointment with the Company for renewal of his term of appointment as a non-executive Director for a further term of three years commencing on March 26, 2022 and ending on March 25, 2025, 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 March 25, 2022, Mr. Hsieh, Wuei-Jung resigned as an independent non-executive Director ("INED") and the chairman of the Remuneration Committee.
- (c) On March 25, 2022, Mr. Liu, Hsi-Liang was appointed as an INED and the chairman of the Remuneration Committee. A letter of appointment as an INED for a term of three years commencing on March 25, 2022 and ending on March 24, 2025, subject to retirement by rotation and re-election at annual general meetings pursuant to the Bye-laws, was entered into between the Company and Mr. Liu on March 15, 2022.
- (d) On April 1, 2022, Mr. Wu, Pan-Tsu ceased to be a director of Elitegroup Computer Systems Co., Ltd., the shares of which are listed on Taiwan Stock Exchange Corporation ("TWSE").
- (e) On June 1, 2022, Mr. Liao, Yuang-Whang resigned as the CFO and became an executive assistant vice president of PCC working at CEO office. PCC, a company listed on TWSE, 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.
- (f) On June 1, 2022, Mr. Liao, Yuang-Whang entered into the second supplementary agreement to the service agreement, which entered into between the Company and Mr. Liao on June 1, 2021 and amended on July 13, 2021, pursuant to which, the salary that he is entitled under the service agreement has been adjusted to HK\$480,000 per annum with effect from June 1, 2022.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION (continued)

- (g) On June 12, 2022, the term of appointment of Mr. Chen, Huan-Chung as a member of the nomination committee of PCC expired.
- (h) On June 15, 2022, Mr. Chen, Huan-Chung was appointed as a member of the remuneration committee of PCC.
- (i) On June 15, 2022, Mr. Liao, Yuang-Whang was re-designated from working at CEO office to the head of global supply chain department of PCC.
- (j) On June 24, 2022, Mr. Liu, Hsi-Liang was appointed as an independent director, and a member of the audit committee and remuneration committee of Sino Horizon Holdings Limited, the shares of which are listed on TWSE.
- (k) On July 1, 2022, Mr. Wu, Pan-Tsu retired from all his positions with the Company, including (i) the chairman of the Company (the "Chairman"); (ii) an executive Director; (iii) the chairman of the nomination committee and disclosure committee of the Board (the "Nomination Committee" and the "Disclosure Committee", respectively); and (iv) an authorised representative of the Company as required under Rule 3.05 of the Listing Rules ("Authorised Representative").
- (l) On July 1, 2022, Mr. Lee, Shao-Wu was appointed as the Chairman, the chairman of the Disclosure Committee and an Authorised Representative; and resigned as the CEO. In respect of these changes of positions of Mr. Lee, he entered into a supplementary agreement to the service agreement, which entered into between the Company and Mr. Lee on December 4, 2019, with the Company on June 27, 2022. Pursuant to the supplementary agreement, certain minor amendments, with effect from July 1, 2022, were made to reflect Mr. Lee's latest positions held with the Company.
- (m) On July 1, 2022, Mr. Hu, Chia-Ho, was appointed as an executive Director, and a member of the Nomination Committee and Disclosure Committee. He holds the office until the next following annual general meeting and be eligible for re-election thereafter pursuant to the Bye-laws. A service agreement as an executive Director for a term of three years commencing from July 1, 2022 to June 30, 2025 was entered into between the Company and Mr. Hu on June 27, 2022.
- (n) On July 1, 2022, Mr. Feng Lei Ming was appointed as the chairman of the Nomination Committee.

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UPDATE ON DIRECTORS' INFORMATION (continued)

- (o) On July 1, 2022, Mr. Liao, Yuang-Whang was appointed as a member of the Disclosure Committee.
- (p) In June and July 2022, Mr. Liao, Yuang-Whang resigned as a director of various subsidiaries of the Company.

CORPORATE GOVERNANCE

The Company has applied the principles of, and has complied with all code provisions contained in, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2022.

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, 2022.

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 interim financial information for the six months ended June 30, 2022, 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, 2022 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 Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION

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.

DIRECTORS

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

Executive Directors

Mr. Lee, Shao-Wu (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
Lee, Shao-Wu
Chairman

Hong Kong, August 11, 2022

Website: www.pousheng.com

MAKE SPORTS YOUR LIFE



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

