YY SPORTS 胜道

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)

2018 INTERIM REPORT
中期報告

2018 INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu, Pan-Tsu (Chairman)
Lee, Shao-Wu (Chief Executive Officer)

Non-executive Directors

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors

Chen, Huan-Chung
Hsieh, Wuei-Jung
Shan Xue

AUDIT COMMITTEE

Chen, Huan-Chung (Chairman)
Tsai Patty, Pei Chun
Shan Xue

REMUNERATION COMMITTEE

Hsieh, Wuei-Jung (Chairman)
Chen, Huan-Chung
Li I-nan

NOMINATION COMMITTEE

Wu, Pan-Tsu (Chairman)
Chen, Huan-Chung
Shan Xue

AUTHORISED REPRESENTATIVES

Wu, Pan-Tsu
Fan Kam Wing (appointed on August 10, 2018)
Tsai Patty, Pei Chun (ceased on August 10, 2018)

COMPANY SECRETARY

Fan Kam Wing

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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

PRINCIPAL BANKERS

ANZ Bank (Taiwan) Limited
Australia and New Zealand Bank (China) Company Limited
Bank of America, N.A. Shanghai Branch
BNP Paribas (China) Limited
Citibank (China) Co., Limited
Citibank Taiwan Limited
HSBC Bank (China) Company Limited
Industrial and Commercial Bank of China Limited
Mizuho Bank, Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Taishin International Bank Company Limited

WEBSITE

www.pousheng.com

STOCK CODE

3813

THE GROUP'S FINANCIAL HIGHLIGHTS

For the six months ended June 30,

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

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 35, which comprises the condensed consolidated statement of financial position as of June 30, 2018 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this 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.

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 HKICPA. A review of this 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.

INTERIM RESULTS

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 10, 2018

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2018 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2018

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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2018

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

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At June 30, 2018

	NOTES	At June 30, 2018 RMB'000 (unaudited)	At December 31, 2017 RMB'000 (audited)
Current liabilities			
Trade and other payables	10	**2,402,529**	2,104,417
Contract liabilities		**225,511**	–
Taxation payable		**152,259**	137,746
Bank borrowings		**2,580,546**	2,532,169
Bank overdrafts		**-**	109,617
		5,360,845	4,883,949
Net current assets		**4,339,765**	4,039,599
Total assets less current liabilities		**6,814,070**	6,586,161
Non-current liability			
Deferred tax liabilities		**126,937**	144,632
Net assets		**6,687,133**	6,441,529
Capital and reserves			
Share capital	11	**46,553**	46,530
Reserves		**6,572,014**	6,344,162
Equity attributable to owners of the Company		**6,618,567**	6,390,692
Non-controlling interests		**68,566**	50,837
Total equity		**6,687,133**	6,441,529

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

	Equity attributable to owners of the Company															
	Share capital RMB'000	Share premium RMB'000 (note (i))	Special reserve RMB'000 (note (ii))	Other reserve RMB'000 (note (iii))	FVTOCI reserve RMB'000	Merger reserve RMB'000	Property revaluation reserve 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	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2017 (audited)	46,523	5,144,095	676,506	(1,445,655)	55,395	29,544	-	(138,275)	9,848	27,956	401,098	(13,097)	1,309,593	6,103,531	29,980	6,133,511
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	(1,117)	-	(1,117)	33	(1,084)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	298,612	298,612	12,928	311,540
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-	-	(1,117)	298,612	297,495	12,961	310,456
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	-	-	-	-	-	-	-	-	4,388	1,695	-	-	-	6,083	-	6,083
Exercise of share options	2	389	-	-	-	-	-	-	-	(138)	-	-	-	253	-	253
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,015)	(33,015)
Acquisition of remaining interest in subsidiaries	-	-	-	(33,135)	-	-	-	-	-	-	-	-	-	(33,135)	33,135	-
Dividends recognised as distribution (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	(92,667)	(92,667)	-	(92,667)
Transfer	-	-	-	-	-	-	-	-	-	-	16,139	-	(16,139)	-	-	-
At June 30, 2017 (unaudited)	46,525	5,144,484	676,506	(1,478,790)	55,395	29,544	-	(138,275)	14,236	29,513	417,237	(14,214)	1,499,399	6,281,560	43,061	6,324,621
At January 1, 2018 (audited)	**46,530**	**5,145,472**	**676,506**	**(1,478,790)**	**55,395**	**29,544**	**6,381**	**(133,027)**	**16,372**	**30,480**	**467,967**	**(14,362)**	**1,542,224**	**6,390,692**	**50,837**	**6,441,529**
Exchange difference arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(39)**	**-**	**(39)**	**(2)**	**(41)**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**306,833**	**306,833**	**10,734**	**317,567**
Total comprehensive (expense) income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(39)**	**306,833**	**306,794**	**10,732**	**317,526**
Recognition of equity-settled share-based payments, net of amount cancelled relating to share awards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,120**	**1,086**	**-**	**-**	**-**	**5,206**	**-**	**5,206**
Share awards vested	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,249**	**(1,574)**	**-**	**-**	**-**	**(3,675)**	**-**	**-**	**-**
Exercise of share options	**23**	**4,308**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,537)**	**-**	**-**	**-**	**2,794**	**-**	**2,794**
Capital contribution by a non-controlling interest	**-**	**-**	**-**	**379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**379**	**6,997**	**7,376**
Dividends recognised as distribution (Note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(87,298)**	**(87,298)**	**-**	**(87,298)**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31,141**	**-**	**(31,141)**	**-**	**-**	**-**
At June 30, 2018 (unaudited)	**46,553**	**5,149,780**	**676,506**	**(1,478,411)**	**55,395**	**29,544**	**6,381**	**(127,778)**	**18,918**	**30,029**	**499,108**	**(14,401)**	**1,726,943**	**6,618,567**	**68,566**	**6,687,133**

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2018

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.

(iii) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Company established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	For the six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(62,971)**	(111,435)
Net cash used in investing activities		
Placement of structured bank deposits	**(200,000)**	(330,000)
Purchase of property, plant and equipment	**(143,190)**	(202,094)
Deposit paid for acquisition of property, plant and equipment	**(73,513)**	(73,429)
Advance to a non-controlling interest of a subsidiary	**(40,000)**	(40,000)
Advance to a joint venture	**(58)**	(518)
Release of structured bank deposits	**200,000**	330,000
Repayment of advance to a non-controlling interest of a subsidiary	**40,000**	40,000
Proceeds from disposal of property, plant and equipment	**16,422**	4,347
Repayment of advance to joint ventures	**4,026**	12,466
Interest received	**3,701**	2,972
Dividends received from an equity instrument	**562**	240
Repayment of consideration payable for acquisition of business	**-**	(60,439)
Addition of prepaid lease payment	**-**	(1,522)
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	**-**	20,618
	(192,050)	(297,359)

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended June 30, 2018

	For the six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from financing activities		
Repayment of bank borrowings	**(2,932,410)**	(1,914,467)
Repayment of advance from related and connected parties	**(276,772)**	(761,793)
Dividends paid	**(87,298)**	(91,524)
Interest paid	**(72,916)**	(52,065)
Bank borrowings raised	**2,981,075**	2,714,712
Advance from related and connected parties	**856,772**	471,793
Capital contribution by a non-controlling interest	**7,376**	–
Proceeds from issue of shares upon exercise of share options	**2,794**	253
	478,621	366,909
Net increase (decrease) in cash and cash equivalents	**223,600**	(41,885)
Effect of foreign exchange rate changes	**(249)**	(1,280)
Cash and cash equivalents at beginning of the period	**377,387**	492,017
Cash and cash equivalents at end of the period, represented by bank balances and cash	**600,738**	448,852

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 investment properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are consistent with those of the annual financial statements for the year ended December 31, 2017, as described therein.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received (or an amount of consideration is due) from the customer.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

2.1.2 Impacts

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

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

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

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

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

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

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments designated as at Fair Value Through Other Comprehensive Income ("FVTOCI")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other operating income and gains (losses)" line item in profit or loss.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans to joint ventures and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognised an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, January 1, 2018.

	Note	Available-for-sale investment RMB'000	Equity instrument at FVTOCI RMB'000
Closing balance at December 31, 2017 – HKAS 39		2,190	–
Effect arising from initial application of HKFRS 9:			
Reclassification			
From available-for-sale	(a)	(2,190)	2,190
Opening balance at January 1, 2018		–	2,190

Notes:

(a) Available-for-sale investment

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

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

Notes: (continued)

(b) Impairment under ECL model

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

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

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

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 leasing of large scale commercial spaces to retailers and distributors for concessionaire sales in the PRC market. Information is reported on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of resource allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

Revenue from major business products

The following is an analysis of the Group's revenue from its major business products recognised in a point in time:

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

4. INCOME TAX EXPENSE

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

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROFIT FOR THE PERIOD

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

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DIVIDENDS

	For the six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2017 final dividend of HK$0.02 per share (six months ended June 30, 2017: 2016 final dividend of HK$0.02 per share)	**87,298**	92,667

During the current interim period, the Directors declared a final dividend of HK$0.02 per share for the year ended December 31, 2017 (six months ended June 30, 2017: 2016 final dividend of HK$0.02 per share). The final dividend of approximately HK$106,826,000 (equivalent to approximately RMB87,298,000) (six months ended June 30, 2017: HK$104,159,000 (equivalent to approximately RMB91,524,000)) was paid to the shareholders of the Company during the period.

Subsequent to the end of the current interim period, the Directors have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2017: nil).

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, 2018 RMB'000 (unaudited)	For the six months ended June 30, 2017 RMB'000 (unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**306,833**	298,612

	For the six months ended June 30, 2018 RMB'000 (unaudited)	For the six months ended June 30, 2017 RMB'000 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,218,364,892**	5,207,943,670
Effect of dilutive potential ordinary shares:		
– Share options	**5,438,692**	7,596,554
– Unvested awarded shares	**36,366,454**	42,346,867
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,260,170,038**	5,257,887,091

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB194,371,000 (six months ended June 30, 2017: RMB257,318,000).

9. TRADE AND OTHER RECEIVABLES

	At June 30, 2018 RMB'000 (unaudited)	At December 31, 2017 RMB'000 (audited)
Trade receivables	**1,680,406**	1,609,167
Deposits, prepayments and other receivables	**1,630,332**	1,235,826
	3,310,738	2,844,993
Deposits, prepayments and other receivables represent:		
Rental deposits and prepaid rentals	**263,277**	229,455
Receivables of subsidies and rebates from and prepayments paid to suppliers	**778,416**	367,229
Value-added tax recoverable	**333,046**	335,027
Amounts due from related parties (note i)	**2,674**	12,514
Amount due from a non-controlling interest of a subsidiary (note ii)	**20,000**	20,000
Other prepaid expenses	**99,194**	150,549
Prepaid lease payments – current	**3,207**	3,207
Other deposits and receivables	**130,518**	117,845
	1,630,332	1,235,826

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER RECEIVABLES (continued)

notes:

(i) The amounts represent amounts due from certain joint ventures of RMB2,039,000 (December 31, 2017: RMB12,450,000) and certain entities controlled by Yue Yuen Industrial (Holdings) Limited ("Yue Yuen", the intermediate holding company of the Company) and its substantial shareholders of RMB635,000 (December 31, 2017: RMB64,000), and are unsecured and expected to be recovered within one year. Except for the amounts of RMB9,907,000 as at December 31, 2017 due from a joint venture which carried fixed interest rate of 6.72% per annum, the remaining balances are interest-free at the end of both reporting periods.

(ii) The amount is unsecured and expected to be recovered within one year and carries fixed interest rate of 6.53% (December 31, 2017: 6.53%) per annum.

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

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

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER PAYABLES

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

note: The amounts represent amounts due to non-controlling interests of subsidiaries of RMB2,800,000 (December 31, 2017: RMB2,800,000) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB582,494,000 (December 31, 2017: RMB3,811,000), and are unsecured. Except for the amount of RMB580,000,000 due to an entity controlled by Yue Yuen's substantial shareholders as at June 30, 2018 (December 31, 2017: nil), which carries fixed interest of 4.35% per annum and repayable within one year, the remaining balances are interest-free and repayable on demand.

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

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

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, 2017, June 30, 2017, January 1, 2018 and June 30, 2018	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2017	5,337,748,615	53,377
Exercise of share options	200,000	2
At June 30, 2017	5,337,948,615	53,379
At January 1, 2018	5,338,548,615	53,385
Exercise of share options	2,740,000	27
At June 30, 2018	5,341,288,615	53,412

	At June 30, 2018 RMB'000 (unaudited)	At December 31, 2017 RMB'000 (audited)
Shown in the condensed consolidated financial statements	**46,553**	46,530

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The existing share option scheme was adopted by the shareholders of the Company 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 are as follows:

	2018		2017	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
As at January 1,	**1.64**	**53,749,190**	1.63	54,549,190
Exercised	**1.23**	**(2,740,000)**	1.43	(200,000)
Lapsed	**1.62**	**(18,747,000)**	–	–
As at June 30,		**32,262,190**		54,349,190
Exercisable at the end of the reporting period	**1.29**	**21,765,320**	1.40	42,686,000

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

(a) Share Option Scheme (continued)

Share options outstanding at June 30, 2018 and December 31, 2017 have the following expiry dates and exercise prices:

		Number of share options	
Year of expiry	**Exercise price HK$**	**At June 30, 2018**	At December 31, 2017
2018	1.620	**–**	18,747,000
2019	1.230	**20,224,000**	22,964,000
2019	2.494	**1,166,320**	1,166,320
2020	1.050	**375,000**	375,000
2020	2.494	**1,166,320**	1,166,320
2021	2.494	**1,166,320**	1,166,320
2022	2.494	**2,332,640**	2,332,640
2023	2.494	**5,831,590**	5,831,590
		32,262,190	53,749,190

In respect of the share options exercised during the period, the weighted average share price at the dates of exercise is HK$1.97 (six months ended June 30, 2017: HK$2.13) per share.

During the six months ended June 30, 2018, the Group recognised a net expense of RMB1,086,000 (six months ended June 30, 2017: RMB1,695,000) as equity-settled share-based payments in the condensed consolidated income statement under the share option scheme with reference to the share options' respective vesting periods and the share options forfeited prior to their vesting dates after recognising share option expenses.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

(b) Share Award Scheme

The share award scheme was approved and adopted by the Board of Directors of the Company 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	
	2018	2017
As at January 1,	**41,079,130**	45,129,810
Granted	**–**	6,026,000
Vested	**(4,935,000)**	–
Cancelled	**(2,883,000)**	(7,432,000)
As at June 30,	**33,261,130**	43,723,810

During the six months ended June 30, 2017, the Board granted an aggregate of 6,026,000 awarded shares to certain employees of the Group and a director of the Company pursuant to the share award scheme. The total fair values of the share awards as at the respective date of grant, determined by APAC Asset Valuation and Consulting Limited using the Black-Scholes Option Pricing Model, amounted to HK$7,234,000 (approximately RMB6,425,000). The key inputs into the Black-Scholes Option Pricing Model were as follows:

Date of grant	March 25, 2017
Closing share price at the date of grant	HK$1.87
Annual risk free rate	0.62% – 1.14%
Expected volatility	48% – 59%
Vesting period	1 – 3 years
Expected dividend yield	2.0%

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

(b) Share Award Scheme (continued)

The Black-Scholes Option Pricing Model had been used to estimate the fair value of the share awards. The variables and assumptions used in computing the fair value of the share awards are based on the Directors' best estimate. The value of a share award varies with different variables of certain subjective assumptions.

The closing price of the Company's shares immediately before the grant of the share awards on March 25, 2017 was HK$1.87 per share.

During the six months ended June 30, 2018, the Group recognised a net expense of RMB4,120,000 (six months ended June 30, 2017: RMB4,388,000) as equity-settled share-based payments in the condensed consolidated income statement under the share award scheme with reference to the share award's respective vesting period and the share awards forfeited prior to their vesting dates after recognising share award expenses.

As at June 30, 2018, a total of 120,131,320 (December 31, 2017: 125,066,320) ordinary shares of the Company were held by the trustee of the share award scheme of the Company.

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments during the six months ended June 30, 2017 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model and Environment

During the first half of 2018, the Company enhanced the daily management of its retail businesses by introducing a timely performance index system for its management and store staff. It also continued to move toward its vision "Make sports your life!" and its mission "Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.".

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Business Model and Environment (continued)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF PERFORMANCE

Financial Review

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

Revenue

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

Gross Profit

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

Selling and Distribution Expenses and Administrative Expenses

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

Operating Profit

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

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF PERFORMANCE (continued)

Profit for the Period

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

Working Capital Efficiency

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

Liquidity and Financial Resources

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF PERFORMANCE (continued)

Liquidity and Financial Resources (continued)

During the first half of 2018, the net cash used in operating activities was RMB63.0 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in the first half of 2018 was RMB192.1 million, while the net cash generated from financing activities was RMB478.6 million. During the first half of 2018, the Group raised and repaid bank borrowings of RMB2,981.1 million and RMB2,932.4 million respectively.

Capital Expenditure

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

Foreign Exchange

The Group conducted its business primarily in the Greater China region and the majority of its transactions are denominated in RMB. As at June 30, 2018, the Group had no significant hedging instruments for managing its foreign exchange exposure. As the exchange rate of RMB against foreign currencies may fluctuate, the Group may enter into forward contracts, currency swaps or options to hedge against currency risks arising from foreign currency transactions when necessary.

The Group has a dedicated treasury division, internal treasury policies and approval guidelines to manage and control the Group's exposure to structured deposit investments. The use of derivatives and approval procedures were in accordance with the Group's internal policies and guidelines during the first half of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

PRIVATISATION

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

PROSPECTS AND FUTURE DEVELOPMENTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS (continued)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS (continued)

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

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

HUMAN RESOURCES

As at June 30, 2018, the Group had approximately 30,300 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers awarded shares and/or share options to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs for employees based on their respective personal career development.

OTHER INFORMATION

INTERIM DIVIDEND

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

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

As at June 30, 2018, the interests or short positions of the Company's 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 (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 executive	Capacity	Number of Shares/underlying Shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issued Shares[1]
Tsai Patty, Pei Chun	Beneficial Owner	19,523,000	-	-	-	19,523,000	0.37%
Lee, Shao-Wu	Beneficial Owner	1,000,000 [2]	-	-	-	1,000,000	0.02%

notes:

1 The total number of issued Shares as at June 30, 2018 was 5,341,288,615.

2 Included interests in 700,000 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, 2018. Details of the awarded shares are set out in the section "Share Award Scheme" in this interim report.

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

Ordinary shares of HK$0.25 each of Yue Yuen

Name of Director/ chief executive	Capacity	Number of shares/underlying shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of the issued shares of Yue Yuen[1]
Lee, Shao-Wu	Beneficial Owner	78,000 [2]	-	-	-	78,000	0.00%

notes:

1 The total number of issued shares of Yue Yuen as at June 30, 2018 was 1,635,177,486.

2 Included interests in 33,000 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, 2018. Details of the awarded shares are set out in the section "Arrangement to Acquire Shares or Debentures" in this interim report.

OTHER INFORMATION

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

Save as disclosed above, as at June 30, 2018, 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 OPTION SCHEME

The Company recognises the importance of offering incentives and rewards through the grant of share-based incentive mechanism for attracting talents and retaining employees. The Company believes that this will align their interests with that of the Company.

The share option scheme of the Company was adopted by the shareholders of the Company (the "Shareholders") on May 14, 2008 (the "Share Option Scheme"), certain terms of which were amended on March 7, 2012, and was valid and effective for a period of ten years from the date of adoption. The Share Option Scheme expired at the end of the day on May 13, 2018, after which no further share options should be offered or granted. However, the share options granted prior to the expiration of the Share Option Scheme shall continue to be valid and exercisable within their respective prescribed exercisable periods.

Pursuant to the terms of the Share Option Scheme, the total number of Shares which may be issued upon exercise of all share options to be granted should not exceed 10% of the total number of the issued Shares as at the date on which dealings in the Shares first commence on the Stock Exchange (i.e. June 6, 2008) (being 355,000,000 Shares). Unless approved by the shareholders of the Company and Yue Yuen, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme in any 12-month period should not exceed 1% of the Shares in issue for the time being.

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

All the share options granted under the Share Option Scheme should be exercised at any time during a period to be determined and notified by the Board at the time of making an offer and should not be exercised later than 10 years after the date of grant. The minimum period for which a share option must be held before it can be exercised should be determined by the Board. The exercise price of any share option should be determined by the Board but in any event should not be less than the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. For grantee who is an employee or director of the Group, he/she has to remain as an employee or director of the Group until the share options being vested on him/her.

For the share options in respect of 11,663,190 Shares granted on November 14, 2016, upon the terms of the operation and share incentive agreement governing the grant, the total amount payable on acceptance of the share options was US$303,950.77 and the payment must be made within 5 days from the date on which the offer letters were delivered to the relevant grantees. Save for the aforesaid, under the rules of the Share Option Scheme, the amount payable on acceptance of an offer is HK$1.00 and the payment must be made within 28 days from the date on which the offer letter is delivered to the participant.

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

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

Pursuant to the Share Option Scheme, movements in share options during the period under review are set out below:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of underlying Shares comprised in the share options: Balance as at January 1, 2018	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2018
Employees/Consultants								
21.01.2010	1.620	21.01.2010-20.01.2011	21.01.2011-20.01.2018	1,557,450	-	-	(1,557,450)	-
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	1,562,450	-	-	(1,562,450)	-
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	3,179,900	-	-	(3,179,900)	-
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	4,423,200	-	-	(4,423,200)	-
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	2,112,500	-	(100,000)	-	2,012,500
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	2,362,500	-	(100,000)	-	2,262,500
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	2,526,500	-	(100,000)	-	2,426,500
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	2,637,500	-	(100,000)	-	2,537,500
14.11.2016	2.494	14.11.2016-31.08.2017	01.09.2017-01.09.2019	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2018	01.09.2018-01.09.2020	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2019	01.09.2019-01.09.2021	1,166,320	-	-	-	1,166,320
		14.11.2016-31.08.2020	01.09.2020-01.09.2022	2,332,640	-	-	-	2,332,640
		14.11.2016-31.08.2021	01.09.2021-01.09.2023	5,831,590	-	-	-	5,831,590
Sub-total				32,025,190	-	(400,000)	(10,723,000)	20,902,190

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

				Number of underlying Shares comprised in the share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Balance as at January 1, 2018	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2018
Former Employees								
21.01.2010	1.620	21.01.2010-20.01.2011	21.01.2011-20.01.2018	1,965,000	-	-	(1,965,000)	-
		21.01.2010-20.01.2012	21.01.2012-20.01.2018	1,965,000	-	-	(1,965,000)	-
		21.01.2010-20.01.2013	21.01.2013-20.01.2018	2,946,000	-	-	(2,946,000)	-
		21.01.2010-20.01.2014	21.01.2014-20.01.2018	1,148,000	-	-	(1,148,000)	-
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	7,375,000	-	(732,500)	-	6,642,500
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	3,775,000	-	(732,500)	-	3,042,500
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	1,437,500	-	(625,000)	-	812,500
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	737,500	-	(250,000)	-	487,500
07.03.2012	1.050	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	-	-	375,000
Sub-total				21,724,000	-	(2,340,000)	(8,024,000)	11, 360,000
Grand total				53,749,190	-	(2,740,000)	(18,747,000)	32,262,190

The weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the period is HK$1.61 per Share.

Save as disclosed above, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme during the period.

OTHER INFORMATION

SHARE AWARD SCHEME

The Share Award Scheme was adopted on May 9, 2014 and duly amended on November 11, 2016 for recognising the contributions by certain persons, including Directors and employees of the Group, providing incentives to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group. 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 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 and individual performance) 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.

Eligible participant(s) selected by the Board for participation in the Share Award Scheme shall have no right to any dividend held under the trust before vesting which shall form part of the residual cash or any of the returned Shares. The trustee of the Share Award Scheme shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the awarded Shares, the returned Shares, any bonus Shares and scrip dividend).

OTHER INFORMATION

SHARE AWARD SCHEME (continued)

Pursuant to the Share Award Scheme, movements in awarded Shares during the period are set out below:

	Date of grant	Vesting period	Number of awarded Shares: Balance as at January 1, 2018	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2018
Director							
Lee, Shao-Wu	25.03.2017	25.03.2017-24.03.2018	300,000	-	(300,000)	-	-
	25.03.2017	25.03.2017-24.03.2019	300,000	-	-	-	300,000
	25.03.2017	25.03.2017-24.03.2020	400,000	-	-	-	400,000
Sub-total			1,000,000	-	(300,000)	-	700,000
Employees							
	21.03.2015	21.03.2015-20.03.2018	5,358,000	-	(4,635,000)	(723,000)	-
	14.08.2015	14.08.2015-13.08.2018	8,110,000	-	-	(340,000)	7,770,000
	24.03.2016	24.03.2016-23.03.2019	3,220,000	-	-	(294,000)	2,926,000
	13.08.2016	13.08.2016-12.08.2019	5,460,000	-	-	(510,000)	4,950,000
	12.11.2016	12.11.2016-30.08.2019	600,000	-	-	-	600,000
	14.11.2016	14.11.2016-31.08.2018	833,680	-	-	-	833,680
	14.11.2016	14.11.2016-31.08.2019	833,680	-	-	-	833,680
	14.11.2016	14.11.2016-31.08.2020	1,667,360	-	-	-	1,667,360
	14.11.2016	14.11.2016-31.08.2021	4,168,410	-	-	-	4,168,410
	25.03.2017	25.03.2017-24.03.2020	4,528,000	-	-	(116,000)	4,412,000
	03.07.2017	03.07.2017-02.07.2020	300,000	-	-	-	300,000
	14.11.2017	14.11.2017-28.02.2018	270,000	-	-	(270,000)	-
	14.11.2017	14.11.2017-28.02.2019	315,000	-	-	(315,000)	-
	14.11.2017	14.11.2017-11.12.2019	300,000	-	-	-	300,000
	14.11.2017	14.11.2017-29.02.2020	315,000	-	-	(315,000)	-
	14.11.2017	14.11.2017-13.11.2020	3,800,000	-	-	-	3,800,000
Sub-total			40,079,130	-	(4,635,000)	(2,883,000)	32,561,130
Grand total			41,079,130	-	(4,935,000)	(2,883,000)	33,261,130

OTHER INFORMATION

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Mr. Lee, Shao-Wu, being a former executive director of Yue Yuen, was awarded 33,000 ordinary shares of Yue Yuen under the YY Share Award Scheme on October 3, 2016 during his employment with Yue Yuen (the "Awarded YY Shares"). The Awarded YY Shares remain unvested and to be vested on October 2, 2018 subject to certain vesting conditions.

Save as disclosed herein and as stated in the sections "Share Option Scheme" and "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.

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

As at June 30, 2018, the register of interests in Shares and short positions of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed in the section "Directors' and Chief 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	*notes*	Capacity/ Nature of interest	Number of Shares held	Percentage of the issued Shares
Major Focus Management Limited ("Major Focus")	(a)	Beneficial owner	3,311,090,560	61.99%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,311,090,560	61.99%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	3,311,090,560	61.99%
Pou Chen Corporation ("PCC")	(b)	Interest of a controlled corporation	3,311,090,560	61.99%

OTHER INFORMATION

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

notes:

The total number of issued Shares as at June 30, 2018 was 5,341,288,615.

(a) 3,311,090,560 Shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.

(b) PCC is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one-third of the voting shares in Wealthplus, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one-third of the voting shares in Yue Yuen. The entire issued share capital of Wealthplus is held by PCC.

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

Save as disclosed above, as at June 30, 2018, 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

During the six months ended June 30, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares listed and traded on the Stock Exchange (six months ended June 30, 2017: nil).

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out below:

(a) On March 12, 2018, Mr. Li I-nan was re-designated as the chairman of the board of directors of Yue Yuen Education Foundation.

(b) On April 9, 2018, Mr. Wu, Pan-Tsu entered into a service agreement with the Company for renewal of his term of appointment as a Director for a further term of three years commencing from April 9, 2018 to April 8, 2021, subject to retirement by rotation and re-election at annual general meetings pursuant to the bye-laws of the Company.

(c) On June 15, 2018, Mr. Chen, Huan-Chung was appointed as an independent director and a member of the audit committee of PCC, the shares of which are listed on the Taiwan Stock Exchange Corporation. PCC is a controlling shareholder of Yue Yuen, the controlling shareholder of the Company, and through Yue Yuen, is deemed to have interests in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO.

(d) On August 10, 2018, Ms. Tsai Patty, Pei Chun ceased to be the person for accepting service of process and notices on behalf of the Company in Hong Kong under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended June 30, 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS 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. Following specific enquiry by the Company to all Directors, each of them has confirmed that he/she has complied with the required standard set out in the Model Code throughout the six months ended June 30, 2018.

The Company has also established and adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines"). The Employees Guidelines are updated from time to time according to the Model Code. Specified employees who are likely to be in possession of unpublished inside information relating to the Company and its securities must comply with the Employees Guidelines.

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group's unaudited condensed consolidated financial information for the six months ended June 30, 2018, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

Deloitte Touche Tohmatsu, certified public accountants and the independent auditor of the Company has reviewed the unaudited condensed consolidated financial information for the six months ended June 30, 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the 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 members 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. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu (Chief Executive Officer)

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, August 10, 2018

Website: www.pousheng.com


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