2019 INTERIM REPORT
二零一九年中期報告

YYSPORTS 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)

CONTENTS

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
Feng Lei Ming

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Wu, Pan-Tsu (Chairman)
Chen, Huan-Chung
Feng Lei Ming

DISCLOSURE COMMITTEE

Wu, Pan-Tsu (Chairman)
(appointed on March 22, 2019)
Lee, Shao-Wu (appointed on March 22, 2019)

AUTHORISED REPRESENTATIVES

Wu, Pan-Tsu
Fan Kam Wing

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
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

PRINCIPAL BANKERS

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
United Overseas Bank Limited

WEBSITE

www.pousheng.com

STOCK CODE

3813

THE GROUP'S FINANCIAL HIGHLIGHTS

For the six months ended June 30,

	2019 (unaudited)	2018 (unaudited)	Percentage increase
Revenue *(RMB'000)*	**13,371,614**	11,202,006	**19.4%**
Operating profit *(RMB'000)*	**774,387**	530,360	**46.0%**
Profit attributable to owners of the Company *(RMB'000)*	**427,435**	306,833	**39.3%**
Basic earnings per share *(RMB cents)*	**8.15**	5.88	**38.6%**

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 set out on pages 6 to 33, which comprises the condensed consolidated statement of financial position as of June 30, 2019 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 is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 13, 2019

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, 2019 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2019

	NOTES	For the six months ended June 30, 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	3	**13,371,614**	11,202,006
Cost of sales		**(8,755,662)**	(7,445,829)
Gross profit		**4,615,952**	3,756,177
Other operating income and gains (losses)		**179,149**	161,147
Selling and distribution expenses		**(3,471,467)**	(2,995,823)
Administrative expenses		**(549,247)**	(391,141)
Operating profit		**774,387**	530,360
Finance costs	5	**(117,062)**	(72,916)
Finance income		**4,286**	3,701
Finance costs - net		**(112,776)**	(69,215)
Share of results of joint ventures		**1,072**	(904)
Other losses		**(9,987)**	-
Profit before taxation		**652,696**	460,241
Income tax expense	4	**(189,271)**	(142,674)
Profit for the period	5	**463,425**	317,567
Attributable to:			
Owners of the Company		**427,435**	306,833
Non-controlling interests		**35,990**	10,734
		463,425	317,567
Earnings per share	7		
– Basic		**RMB8.15 cents**	RMB5.88 cents
– Diluted		**RMB8.06 cents**	RMB5.83 cents

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

	For the six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**463,425**	317,567
Other comprehensive income (expense)		
An item that may be reclassified subsequently to profit or loss		
Exchange difference arising on translation of foreign operations	**762**	(41)
Total comprehensive income for the period	**464,187**	317,526
Attributable to:		
Owners of the Company	**428,222**	306,794
Non-controlling interests	**35,965**	10,732
	464,187	317,526

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2019

	NOTES	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Non-current assets			
Investment properties		**94,700**	94,700
Property, plant and equipment	8	**1,156,739**	1,131,676
Right-of-use assets	9	**2,166,675**	–
Deposit paid for acquisition of property, plant and equipment		**74,138**	59,823
Prepaid lease payments		**-**	109,357
Rental deposits and prepayments		**153,410**	168,693
Intangible assets		**335,945**	378,648
Goodwill		**532,756**	532,808
Interests in joint ventures		**-**	38,074
Loan to a joint venture		**64**	3,000
Equity instrument at fair value through other comprehensive income		**2,220**	2,231
Deferred tax assets		**8,033**	–
		4,524,680	2,519,010
Current assets			
Inventories		**6,631,673**	6,694,022
Trade and other receivables	10	**3,382,006**	3,292,935
Taxation recoverable		**29**	546
Bank balances and cash		**641,240**	730,956
		10,654,948	10,718,459
Assets classified as held for sale	11	**29,160**	–
		10,684,108	10,718,459

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At June 30, 2019

	NOTES	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Current liabilities			
Trade and other payables	12	**1,934,648**	2,097,581
Contract liabilities		**222,815**	283,145
Taxation payable		**255,923**	178,453
Bank and other borrowings	13	**3,266,320**	3,531,259
Lease liabilities	9	**718,627**	–
		6,398,333	6,090,438
Net current assets		**4,285,775**	4,628,021
Total assets less current liabilities		**8,810,455**	7,147,031
Non-current liabilities			
Lease liabilities	9	**1,229,365**	–
Deferred tax liabilities		**98,565**	111,494
		1,327,930	111,494
Net assets		**7,482,525**	7,035,537
Capital and reserves			
Share capital	14	**46,685**	46,588
Reserves		**7,155,905**	6,820,979
Equity attributable to owners of the Company		**7,202,590**	6,867,567
Non-controlling interests		**279,935**	167,970
Total equity		**7,482,525**	7,035,537

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	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))	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 (note (iii))	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
At January 1, 2019 (audited)	**46,588**	**5,156,422**	**676,506**	**(1,480,423)**	**55,395**	**29,544**	**6,381**	**(118,627)**	**20,744**	**15,344**	**544,116**	**(12,943)**	**1,928,520**	**6,867,567**	**167,970**	**7,035,537**
Exchange difference arising on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**787**	**-**	**787**	**(25)**	**762**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**427,435**	**427,435**	**35,990**	**463,425**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**787**	**427,435**	**428,222**	**35,965**	**464,187**
Recognition of equity-settled share-based payments, net of amount cancelled relating to share awards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,224**	**946**	**-**	**-**	**-**	**10,170**	**-**	**10,170**
Transfer upon lapse of share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,944)**	**-**	**-**	**2,944**	**-**	**-**	**-**
Share award vested	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,293**	**(2,821)**	**-**	**-**	**-**	**(472)**	**-**	**-**	**-**
Exercise of share options	**97**	**18,414**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,554)**	**-**	**-**	**-**	**11,957**	**-**	**11,957**
Dividend paid to non-controlling interests of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,000)**	**(14,000)**
Capital contribution by a non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**90,000**	**90,000**
Dividends recognised as distribution (Note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(115,326)**	**(115,326)**	**-**	**(115,326)**
Transfer	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,881**	**-**	**(42,881)**	**-**	**-**	**-**
At June 30, 2019 (unaudited)	**46,685**	**5,174,836**	**676,506**	**(1,480,423)**	**55,395**	**29,544**	**6,381**	**(115,334)**	**27,147**	**6,792**	**586,997**	**(12,156)**	**2,200,220**	**7,202,590**	**279,935**	**7,482,525**

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2019

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 profits 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, 2019

	For the six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**930,277**	(62,971)
Net cash used in investing activities		
Placement of structured bank deposits	**(530,000)**	(200,000)
Payment for acquisition of property, plant and equipment and an intangible asset/ deposits paid for acquisition of property, plant and equipment	**(290,654)**	(216,703)
Advance to a non-controlling interest of a subsidiary	**(34,000)**	(40,000)
Advance to a joint venture	**-**	(58)
Release of structured bank deposits	**530,000**	200,000
Repayment of advance to a non-controlling interest of a subsidiary	**20,000**	40,000
Proceeds from disposal of property, plant and equipment	**8,727**	16,422
Interest received	**4,286**	3,701
Repayment of advance to joint ventures	**2,936**	4,026
Dividends received from an equity instrument at fair value through other comprehensive income	**192**	562
	(288,513)	(192,050)

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended June 30, 2019

	For the six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from financing activities		
Repayment of bank and other borrowings	**(2,840,099)**	(2,932,410)
Repayments of leases liabilities, including related interests	**(375,544)**	–
Dividends paid	**(115,326)**	(87,298)
Interest paid on bank and other borrowings	**(64,446)**	(72,916)
Dividend paid to a non-controlling interest of a subsidiary	**(14,000)**	–
New bank and other borrowings raised	**2,575,025**	2,981,075
Capital contribution by a non-controlling interest	**90,000**	7,376
Proceeds from issue of shares upon exercise of share options	**11,957**	2,794
Repayment of advance from related and connected parties	**-**	(276,772)
Advance from related and connected parties	**-**	856,772
	(732,433)	478,621
Net (decrease) increase in cash and cash equivalents	**(90,669)**	223,600
Effect of foreign exchange rate changes	**953**	(249)
Cash and cash equivalents at beginning of the period	**730,956**	377,387
Cash and cash equivalents at end of the period, represented by bank balances and cash	**641,240**	600,738

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 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, 2019 are consistent with those of the annual financial statements for the year ended December 31, 2018.

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, 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient, not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of retail stores, warehouses and office buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the termination option.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group applied HKFRS 16 from January 1, 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

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 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of retail stores, warehouses and office buildings in the PRC, Hong Kong and Taiwan were determined on a portfolio basis.

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 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

Other than the reclassification of prepaid lease payments amounting to RMB112,564,000 and rental prepayments amounting to RMB131,180,000, the Group recognised lease liabilities of RMB1,864,138,000 and right-of-use assets of RMB1,864,138,000 at January 1, 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant jurisdictions at the date of initial application. The weighted average incremental borrowing rates applied in the PRC, Hong Kong and Taiwan range from 2.10% to 4.53%.

	RMB'000
Operating lease commitments disclosed as at December 31, 2018	2,218,146
Less: Recognition exemption - short term leases and leases with lease term ending within 12 months of the date of initial application	(166,436)
Recognition exemption - low value assets	(129)
	2,051,581
Lease liabilities discounted at relevant incremental borrowing rates as at January 1, 2019	1,864,138
Analysed as:	
Current portion	624,791
Non-current portion	1,239,347
	1,864,138

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 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		1,864,138
Reclassified from rental prepayments	(a)	131,180
Reclassified from prepaid lease payments	(b)	112,564
		2,107,882
By class:		
Leasehold land		112,564
Retail stores		1,828,410
Warehouses		92,003
Office buildings		74,905
		2,107,882

notes:

(a) Prepaid rent for retail stores, office buildings and warehouses, which the Group leased from third parties under operating lease was classified as prepayments as at December 31, 2018. Upon the application of HKFRS 16, the current and non-current portions of prepaid rent amounting to RMB98,052,000 and RMB33,128,000 respectively, were reclassified to right-of-use assets.

(b) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of HKFRS 16, the current and non-current portions of prepaid lease payments amounting to RMB3,207,000 and RMB109,357,000 respectively, were reclassified to right-of-use assets.

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 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

notes: (continued)

(c) Other than described above, the application of HKFRS 16 in the current period has had no material impact on the Group's financial positions and the disclosures set out in these condensed consolidated financial statements.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

2.2 Critical judgments in applying accounting policies

Lease term and discount rate determination

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

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 from major businesses are 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 performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

Revenue from major businesses

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

	For the six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Sales of sportswear and footwear products	**13,301,005**	11,136,790
Commissions from concessionaire sales	**70,609**	65,216
	13,371,614	11,202,006

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax		
– Current period	**203,584**	152,759
– Underprovision in prior periods	**6,646**	5,370
Current tax charge - total	**210,230**	158,129
Deferred tax credit	**(20,959)**	(15,455)
	189,271	142,674

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. FINANCE COSTS/PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2019 **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)
(a) Finance costs		
Interest expenses for bank and other borrowings	**74,596**	72,916
Interest expenses for lease liabilities	**42,466**	–
	117,062	72,916
(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)	**1,514,384**	1,183,471
Rental expenses	**1,087,751**	1,317,002
Depreciation of right-of-use assets	**368,876**	–
Depreciation of property, plant and equipment	**218,102**	187,157
Net changes in allowance for inventories	**(42,383)**	2,304
Amortisation of intangible assets (included in selling and distribution expenses)	**52,117**	61,918
Net exchange loss (included in other operating income and gains (losses))	**-**	8,681
Impairment loss on interest in a joint venture (included in other losses) (Note 11)	**9,987**	–

For the six months ended June 30, 2019 and 2018, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DIVIDENDS

	For the six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2018 final dividend of HK$0.025 per share (six months ended June 30, 2018: 2017 final dividend of HK$0.020 per share)	**115,326**	87,298

During the current interim period, the Directors of the Company declared a final dividend of HK$0.025 per share for the year ended December 31, 2018 (six months ended June 30, 2018: 2017 final dividend of HK$0.020 per share). The final dividend of approximately HK$131,201,000 (equivalent to approximately RMB115,326,000) (six months ended June 30, 2018: HK$106,826,000 (equivalent to approximately RMB87,298,000)) was paid to the shareholders of the Company during the period.

Subsequent to the end of the current interim period, the Directors of the Company have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2018: 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,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**427,435**	306,833

	For the six months ended June 30,	
	2019	2018
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,246,085,693**	5,218,364,892
Effect of dilutive potential ordinary shares:		
– Share options	**4,237,629**	5,438,692
– Unvested awarded shares	**49,722,998**	36,366,454
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,300,046,320**	5,260,170,038

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 current interim period, the Group acquired property, plant and equipment of RMB266,905,000 (six months ended June 30, 2018: RMB194,371,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB23,790,000 (six months ended June 30, 2018: RMB33,025,000) for cash proceeds of RMB8,727,000 (six months ended June 30, 2018: RMB16,422,000), resulting in a loss on disposal of RMB15,063,000 (six months ended June 30, 2018: RMB16,603,000).

9. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group obtains rights to control the use of various retail stores and other properties for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms mainly ranging from 1 to 5 years.

During the current interim period, the Group entered into 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. During the current interim period, the Group recognised right-of-use assets amounting to RMB427,732,000 and lease liabilities amounting to RMB416,969,000 upon lease commencement, respectively, excluding leases with a lease term of 12 months or less from the commencement date in which the short term lease recognition exemption applies.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER RECEIVABLES

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, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
0 - 30 days	**1,670,251**	1,495,483
31 - 90 days	**177,558**	230,681
Over 90 days	**20,003**	13,639
	1,867,812	1,739,803

11. ASSETS CLASSIFIED AS HELD FOR SALE

During the six months ended June 30, 2019, the Group entered into a disposal framework agreement with the joint venture partner of a joint venture, pursuant to which the Group agreed to dispose of its investment in the joint venture for a consideration of approximately RMB29,160,000, and recognised impairment loss on the joint venture of approximately RMB9,987,000, calculated as the difference between the carrying amount of the joint venture and the anticipated net disposal proceeds. Therefore, the interest of the Group in the joint venture, which was expected to be sold within twelve months, has been classified as an asset held for sale and was presented separately in the condensed consolidated statement of financial position as at June 30, 2019.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER PAYABLES

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, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
0 - 30 days	**322,057**	646,275
31 - 90 days	**118**	3,079
Over 90 days	**5,212**	1,555
	327,387	650,909

13. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new other borrowings from certain entities controlled by Yue Yuen Industrial (Holdings) Limited and its substantial shareholders amounting to RMB100,000,000, which are unsecured, repayable within one year and carry interests at fixed interest rate of 4.00% per annum.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019	30,000,000,000	300,000
Issued and fully paid:		
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 January 1, 2019	5,345,306,615	53,453
Exercise of share options	11,166,000	112
At June 30, 2019	5,356,472,615	53,565

	At June 30, 2019 RMB'000 (unaudited)	At December 31, 2018 RMB'000 (audited)
Shown in the condensed consolidated financial statements	**46,685**	46,588

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The 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:

	2019		2018	
	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$	Number of share options
As at January 1,	1.75	28,244,190	1.64	53,749,190
Exercised	1.23	(11,166,000)	1.23	(2,740,000)
Lapsed	1.23	(5,040,000)	1.62	(18,747,000)
As at June 30,		12,038,190		32,262,190
Exercisable at the end of the reporting period	2.29	2,707,640	1.29	21,765,320

(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. Movement in the number of share awards outstanding is as follows:

	Number of share awards	
	2019	2018
As at January 1,	43,843,450	41,079,130
Granted	13,826,000	–
Vested	(3,096,000)	(4,935,000)
Cancelled	(2,219,000)	(2,883,000)
As at June 30,	52,354,450	33,261,130

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model and Environment

In the first half of 2019, the Group continued to develop its leading position in the China sportswear market by providing quality products and sports services through its omni-channels. It continued to improve the operational efficiency of its brick and mortar ("B&M") stores and enhance the functions and contents of its online channels. In this way, the Group continued to improve its communication with customers, while moving it closer to its vision and mission "Make sports your life!" and "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 Group continued to move closer to its goal of becoming not only the top-ranking retailer of world-renowned sportswear brands, but also a leading sports services platform in the Greater China region. As a leading platform, it aims to enhance the stories around brand owners' products, and also provide quality customer relationship management ("CRM") that utilises the Group's unique resources in sports events and related services to facilitate a seamless online and offline customer experience.

The Group also sought to tie these product stories with increasing customer loyalty through sports events and related services. In the first half of the year, the Group continued to organise its intellectual property ("IP") sport events, including marathons, trail runs, series of qualifications, warm up and training runs and 3-on-3 basketball tournaments. More sports events are being scheduled for the remainder of the year. These sports events included those organised by the Group, sponsored by sports brand owners, licensed by sports events companies, or organised in partnership with local governments across the Greater China region. Many of these events are combined with all year round CRM marketing activities via the Group's omni-channels, creating much longer-lasting impacts and establishing greater customer loyalty in return for new opportunities for sales growth. As part of this strategy, the Group aims to use the big data collected from each customer's participation in sports events and their product purchase records to guide further changes to its business format, namely reducing B&M store density while still increasing sales.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Business Model and Environment (continued)

Alongside with this enhancement and elevation of its operations, the Group also sought to manage its inventory levels at a relatively efficient level through better planning of procurement practices, online and offline inventory-integrated sales, and making the best use of different online and offline sale channels to reinforce in-season sales-through and effective off-season clearance. The Group also sought to develop promotion plans with the support of its brand partners for better inventory control, while further digitalising the business intelligence and performance index of its retail business, upgrading its B&M stores and improving sales efficiency by integrating and sharing the inventories of its regional stores and omni-channels. Moreover, the strategic alliance between the Group and VIP Group enhanced the Group's omni-channel strategy by integrating the complementary resources of both sides, providing adequate product portfolios that are tailor-made for consumers at a reasonable price, so that the products could be sold to consumers efficiently and at a better price.

As at June 30, 2019, the Group's retail network consisted of 5,895 directly operated stores and 3,756 sub-distributor stores across the Greater China region.

Despite ongoing macroeconomic uncertainties, consumer spending in the PRC remained resilient in the first half of the year. According to the National Bureau of Statistics of the PRC, consumer spending increased 8.1% year-on-year, reaching RMB16.13 trillion in the first half of 2019, while spending on sports and recreational products increased by 5.9% in May and by 7.2% in June after a slow start to the year. The rise in consumer spending, alongside quickening athleisure trends such as growing fitness and health awareness in the PRC, higher sports participation rates, growing levels of sports service subscriptions, and supportive government policies, makes the Group optimistic that demand for sportswear and sports services in the PRC will continue to grow significantly. In order to fully capture the opportunities arising from these athleisure trends, the Group will continue to focus on opening and upgrading its experience-rich B&M stores and enhancing its online channels, while also launching a new planned mega store concept that better integrates in-store sports services and networking elements with online offerings and other sales channels.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Business Model and Environment (continued)

Nevertheless, the sports retailing environment in the PRC remains highly competitive and fragmented. Although e-commerce will continue to grow, offline retail channels will remain important and irreplaceable sales touchpoints for consumers who seek a unique and personalised shopping experience for products and services. The Group will continue to invest heavily in upgrading its B&M stores while integrating them with its digital channels to reinforce the consumer experience and stimulate higher-margin in-season sales. This will require more investment in hiring and retaining experienced frontline sales-staff, expanding larger-format stores with more experience-driven facilities and other investments in its omni-channel platform. These investments remain essential for the Group to build its unique core competences, maintain its competitiveness and support its development.

Through these aforementioned efforts, the Group is confident that it can overcome various challenges and manage rising costs, while capturing promising long-term opportunities.

ANALYSIS OF PERFORMANCE

Financial Review

For the first half of 2019, the Group recorded revenue of RMB13,371.6 million, representing an increase of 19.4% compared with the same period of last year. Gross profit was RMB4,616.0 million, an increase of 22.9% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2019 was RMB427.4 million, an increase of 39.3% compared with the same period of last year.

Revenue

The Group's total revenue grew 19.4% to RMB13,371.6 million in the first half of 2019, as compared with the same period of last year. This growth was attributed to the growing athleisure trend and sports participation rate in China, the continuous development of the Group's retail business, as well as the rapid growth of its online business.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF PERFORMANCE (continued)

Gross Profit

The Group's gross profit for the first half of 2019 amounted to RMB4,616.0 million, with a gross profit margin of 34.5%. The gross profit margin improved nicely as compared to 33.5% in the same period of last year, which was mainly helped by enhanced sell-through and reduced discounts.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in the first half of 2019 were RMB4,020.7 million, which represented 30.1% of total revenue, an increase of 18.7% in the monetary amount compared with the same period of last year, which was equal to 0.1 percentage point decrease year-on-year. The improvement was due to the improvement of operating efficiency and better control of rental expenses, despite of the Group's continued investments in new concept stores and stores upgrades, the optimisation of its distribution and digital channels, as well as in the motivation of its sales team.

Operating Profit

The Group's operating profit in the first half of 2019 was RMB774.4 million, with an operating profit margin of 5.8%, compared to an operating profit of RMB530.4 million and operating margin of 4.7% in the same period of last year.

Profit for the Period

With the aforementioned efforts, the Group recorded a net profit of RMB463.4 million (Pre-HKFRS 16 basis: RMB494.6 million) in the first half of 2019, an increase of 45.9% (Pre-HKFRS 16 basis: 55.7%) compared to the net profit of RMB317.6 million in the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF PERFORMANCE (continued)

Working Capital Efficiency

The average inventory turnover period for the first half of 2019 was 139 days (first half of 2018: 139 days). The inventory turnover period remained stable and the Group will keep on improving in-season sell-through, timely off season promotions and enhancing procurement plans. The Group is continuing to diligently manage inventory levels to optimise working capital efficiency. The average trade receivables turnover period in the first half of 2019 was 25 days (first half of 2018: 27 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period in the first half of 2019 was 10 days (first half of 2018: 13 days).

Liquidity and Financial Resources

As at June 30, 2019, the Group had cash and cash equivalents of RMB641.2 million (December 31, 2018: RMB731.0 million) and working capital (current assets minus current liabilities) of RMB4,285.8 million (December 31, 2018: RMB4,628.0 million). Total bank and other borrowings were RMB3,266.3 million (December 31, 2018: RMB3,531.3 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 gearing ratio as of June 30, 2019, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 43.7% (December 31, 2018: 50.2%).

During the first half of 2019, the net cash generated from operating activities was RMB930.3 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in the first half of 2019 was RMB288.5 million, while the net cash used in financing activities was RMB732.4 million. During the first half of 2019, the Group raised and repaid bank and other borrowings of RMB2,575.0 million and RMB2,840.1 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF PERFORMANCE (continued)

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for newly opened stores, upgrading existing store formats, expanding new concept and mega stores and injecting resources into its online and sports services platform. During the first half of 2019, the total capital expenditure was RMB290.7 million (first half of 2018: RMB216.7 million). As at June 30, 2019, 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, 2019, 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 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 were in accordance to our internal policies and guidelines during the first half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS

The Group's management maintains optimistic about the long-term growth opportunities within the China sportswear and sports consumption markets, which will continue to be supported by rising health awareness, growing sports participation rates, and the continued athleisure trend in the Greater China region. As consumption is likely to continue being the dominant driver of economic growth in the PRC, sports consumption is expected to reach RMB1.5 trillion by 2020, according to a two-year national plan released by China's General Administration of Sport and the National Development and Reform Commission in January 2019. These trends will continue to support the Group's omni-channel distribution strategy, as well as demand for sports training, sports events and other sports services.

Despite this, there is a risk that the Group's short-to-medium term performance could be impacted by global macroeconomic factors, including slowing economic growth.

The Group will continue to organise and enhance its IP sports events across the Greater China region during the second half of 2019, as well as events licensed by sports event companies, organised with local governments, or in partnership with global brand partners. These include, but are not limited to, the following:

- "Go Wild" trail run tournament (IP event)
- "Dou Dao Di" 3 on 3 basketball league (IP event)
- HOOD to COAST marathon relay (licenced event)
- Kunshan Marathon, a cross Strait focused annual marathon event (lead organiser)
- The Beijing and Shanghai marathons and other regional marathons, in cooperation with brand partners
- YYsports online virtual running (strategic alliance with China's biggest running club company)
- Mini baseball training camp coached by Taiwan baseball superstar players (licensed event)
- Running, basketball, baseball, rock climbing etc. training programs (local events, serving as series to top-level sports events)

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND FUTURE DEVELOPMENTS (continued)

In order to differentiate ourselves with other market players, the Group will continue to develop new format stores focusing on providing fun and convenient sport services on top of quality sporting goods in our existing offline and online channels. We are looking forward to the new initiatives to be incorporated in our business model soon.

Looking forward to the second half of 2019, the Group will continue to develop its digital platform and business intelligence system to better support its inventory management, optimise its resources and improve the efficiency of its working capital. In the future, the Group expects to integrate all of its point of sales, experiences or products oriented, as mini-distribution centres to support its channel and logistics strategy. It will continue to integrate and upgrade its omni-channel sales and distribution network, CRM applications (such as loyalty programs and membership engagements), and operational systems, to support the execution of sporting services and events across the Greater China region.

The Group will continue to expand the scale of its interaction with consumers to 365-day communications by cooperating with current and potential strategic partners and by connecting brands' products to relevant sports events and services.

With competition remaining intense, the business environment will remain challenging in the second half of 2019. However, through the above strategies, the Group expects to further enhance its long-term performance and profitability, optimise its resources and maximise returns for its customers, partners, employees and shareholders.

HUMAN RESOURCES

As at June 30, 2019, the Group had approximately 34,000 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 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, 2019 (six months ended June 30, 2018: nil).

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

As at June 30, 2019, 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 (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	0.36%
Lee, Shao-Wu	Beneficial Owner	3,000,000 [2]	-	-	-	3,000,000	0.06%

notes:

1 The total number of issued Shares as at June 30, 2019 was 5,356,472,615.

2 Included interests in 2,400,000 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, 2019. 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 Directors/ 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]
Wu, Pan-Tsu	Beneficial Owner	40,000 [2]	-	-	-	40,000	0.00%
Lee, Shao-Wu	Beneficial Owner	78,000	-	-	-	78,000	0.00%

notes:

1 The total number of issued shares of Yue Yuen as at June 30, 2019 was 1,612,183,986.

2 40,000 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, 2019. 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, 2019, 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.

Eligible participants of the Share Option Scheme include directors and full time employees of the Company and its subsidiaries (the "Group") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group.

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

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 under the Share Option Scheme 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, representing approximately 6.63% of the total number of issued Shares as at the date of this report). 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.

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 share option 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.

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

As at June 30, 2019, an aggregate of 30,750,000 Shares have been issued and an aggregate of 12,038,190 Shares may be issued upon full exercise of all share options granted under the Share Option Scheme. Out of an aggregate of 12,038,190 Shares which may be issuable under vested and unvested options, 2,707,640 Shares of which, representing approximately 0.05% of the total number of issued Shares, are immediately issuable and 9,330,550 Shares are issuable upon vesting and full exercise of share options. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 2,707,640, representing approximately 0.05% of the issued Shares.

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

				Number of underlying Shares comprised in the share options				
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Balance as at January 1, 2019	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2019
Employees/Consultants								
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	1,011,500	-	(1,011,500)	-	-
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	1,307,500	-	(1,307,500)	-	-
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	1,887,500	-	(1,887,500)	-	-
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	2,104,500	-	(2,104,500)	-	-
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				17,974,190	-	(6,311,000)	-	11,663,190
Former Employees								
20.01.2011	1.230	20.01.2011-19.01.2012	20.01.2012-19.01.2019	5,600,000	-	(3,455,000)	(2,145,000)	-
		20.01.2011-19.01.2013	20.01.2013-19.01.2019	2,795,000	-	(1,075,000)	(1,720,000)	-
		20.01.2011-19.01.2014	20.01.2014-19.01.2019	912,500	-	(325,000)	(587,500)	-
		20.01.2011-19.01.2015	20.01.2015-19.01.2019	587,500	-	-	(587,500)	-
07.03.2012	1.050	07.03.2012-06.03.2013	07.03.2013-06.03.2020	375,000	-	-	-	375,000
Sub-total				10,270,000	-	(4,855,000)	(5,040,000)	375,000
Grand total				28,244,190	-	(11,166,000)	(5,040,000)	12,038,190

OTHER INFORMATION

SHARE OPTION SCHEME (continued)

The weighted average closing price of the Shares immediately before the dates on which the share options were exercised during the period is HK$1.50 per Share.

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

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:

			Number of awarded Shares				
	Date of grant	Vesting period	Balance as at January 1, 2019	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2019
Director							
Lee, Shao-Wu	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
	11.08.2018	11.08.2018-10.09.2019	200,000	-	-	-	200,000
	11.08.2018	11.08.2018-10.09.2020	300,000	-	-	-	300,000
	11.08.2018	11.08.2018-10.03.2021	500,000	-	-	-	500,000
	23.03.2019	23.03.2019-22.09.2020	-	200,000	-	-	200,000
	23.03.2019	23.03.2019-22.09.2021	-	300,000	-	-	300,000
	23.03.2019	23.03.2019-22.03.2022	-	500,000	-	-	500,000
Sub-total			1,700,000	1,000,000	(300,000)	-	2,400,000

OTHER INFORMATION

SHARE AWARD SCHEME (continued)

			Number of awarded Shares				
	Date of grant	Vesting period	Balance as at January 1, 2019	Granted during the period	Vested during the period	Lapsed/ cancelled during the period	Balance as at June 30, 2019
Employees							
	24.03.2016	24.03.2016-23.03.2019	2,876,000	-	(2,796,000)	(80,000)	-
	13.08.2016	13.08.2016-12.08.2019	4,950,000	-	-	(150,000)	4,800,000
	12.11.2016	12.11.2016-30.08.2019	600,000	-	-	-	600,000
	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	4,154,000	-	-	(123,000)	4,031,000
	03.07.2017	03.07.2017-02.07.2020	300,000	-	-	-	300,000
	14.11.2017	14.11.2017-11.12.2019	300,000	-	-	-	300,000
	14.11.2017	14.11.2017-13.11.2020	3,200,000	-	-	-	3,200,000
	11.08.2018	11.08.2018-30.06.2019	140,000	-	-	-	140,000
	11.08.2018	11.08.2018-10.09.2019	3,678,800	-	-	(341,200)	3,337,600
	11.08.2018	11.08.2018-30.06.2020	210,000	-	-	-	210,000
	11.08.2018	11.08.2018-10.09.2020	5,518,200	-	-	(511,800)	5,006,400
	11.08.2018	11.08.2018-31.12.2020	350,000	-	-	-	350,000
	11.08.2018	11.08.2018-10.03.2021	9,197,000	-	-	(853,000)	8,344,000
	23.03.2019	23.03.2019-22.09.2020	-	2,453,200	-	(32,000)	2,421,200
	23.03.2019	23.03.2019-30.09.2020	-	112,000	-	-	112,000
	23.03.2019	23.03.2019-22.09.2021	-	3,679,800	-	(48,000)	3,631,800
	23.03.2019	23.03.2019-30.09.2021	-	168,000	-	-	168,000
	23.03.2019	23.03.2019-22.03.2022	-	6,133,000	-	(80,000)	6,053,000
	23.03.2019	23.03.2019-31.03.2022	-	280,000	-	-	280,000
Sub-total			42,143,450	12,826,000	(2,796,000)	(2,219,000)	49,954,450
Grand total			43,843,450	13,826,000	(3,096,000)	(2,219,000)	52,354,450

The closing price of the Shares immediately before the grant of awarded Shares on March 23, 2019 is HK$1.67 per Share.

OTHER INFORMATION

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Mr. Wu, Pan-Tsu was awarded 40,000 ordinary shares of Yue Yuen under the YY Share Award Scheme on October 2, 2018. These awarded Yue Yuen shares remain unvested and to be vested on May 31, 2021 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, 2019, 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	61.81%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,311,090,560	61.81%
Wealthplus Holdings Limited ("Wealthplus")	(b)	Interest of a controlled corporation	3,311,090,560	61.81%
Pou Chen Corporation ("PCC")	(b)	Interest of a controlled corporation	3,311,090,560	61.81%

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, 2019 was 5,356,472,615.

(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, 2019, 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, 2019, 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, 2018: 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 2018 annual report are set out below:

(a) On March 25, 2019, 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 from March 26, 2019 to March 25, 2022, subject to retirement by rotation and re-election at annual general meetings pursuant to the bye-laws of the Company.

(b) On March 25, 2019, Mr. Hsieh, Wuei-Jung entered into a supplemental letter of appointment with the Company for renewal of his term of appointment as an independent non-executive Director for a further term of three years commencing from March 26, 2019 to March 25, 2022, subject to retirement by rotation and re-election at annual general meetings pursuant to the bye-laws 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, 2019.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. 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, 2019.

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, 2019, 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 interim financial information of the Group for the six months ended June 30, 2019 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. Feng Lei Ming

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, August 13, 2019

Website: www.pousheng.com

MAKE SPORTS YOUR LIFE

讓運動融入你的生活！

寶勝國際（控股）有限公司

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED