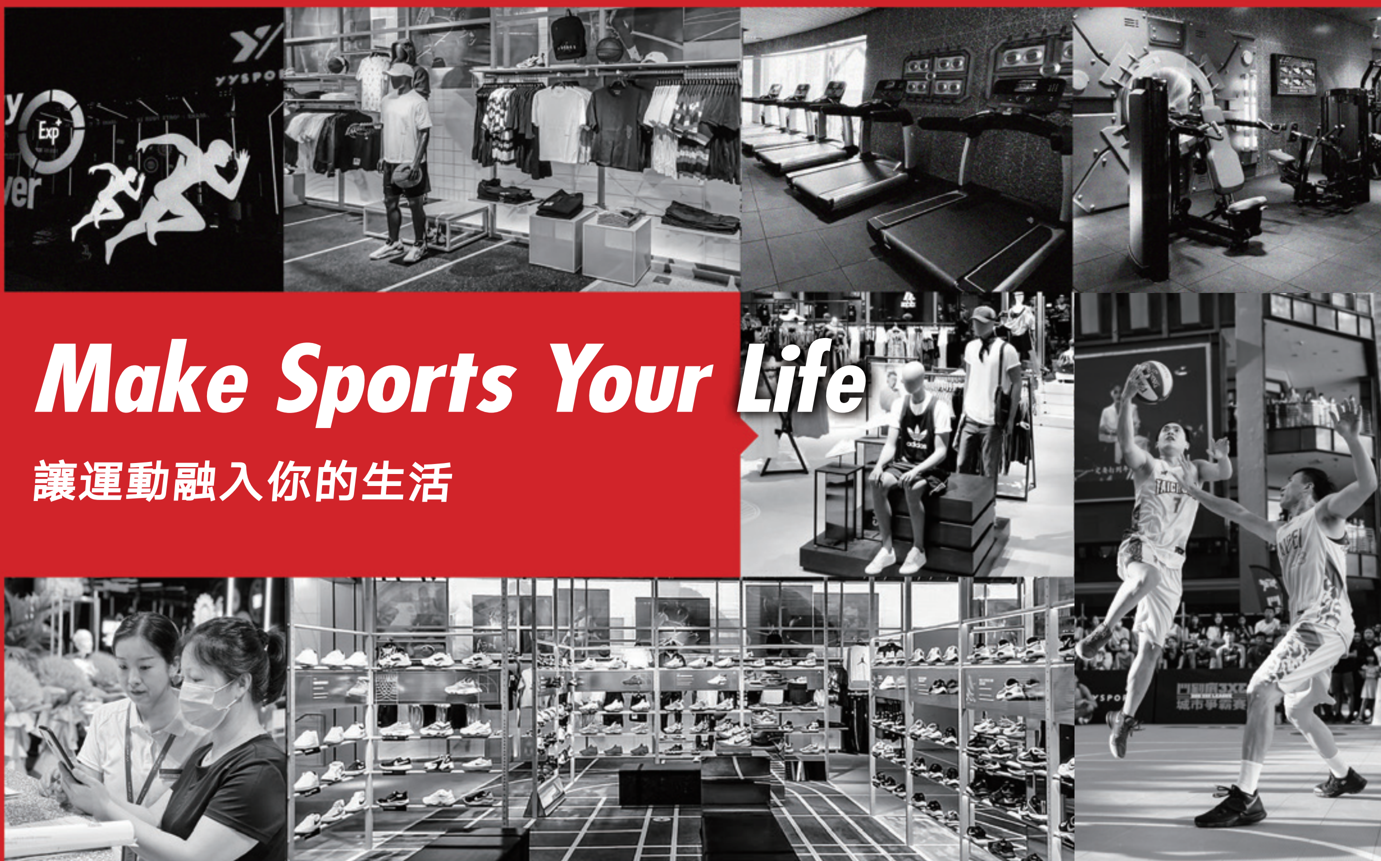


Make Sports Your Life

讓運動融入你的生活

2021 ANNUAL REPORT

二零二一年年報

SPORTS

YY SPORTS 胜道

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

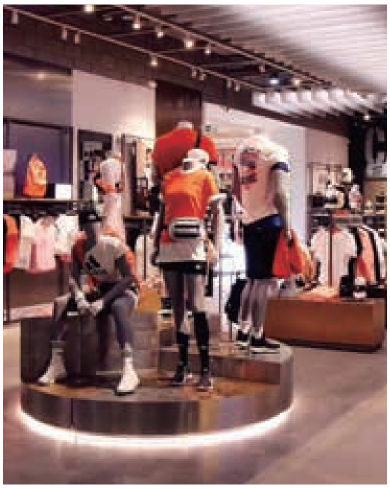
寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

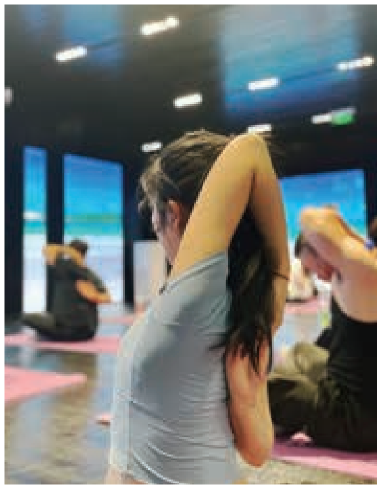
(Stock Code 股份代號:3813)

OMNI CHANNEL SALES

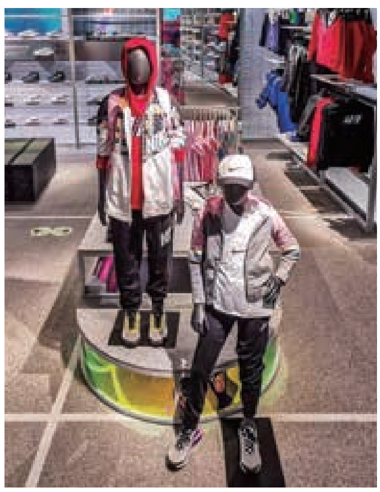


MAKE SPORTS YOUR LIFE

Exp+



LARGE QUALITY STORES



SALE

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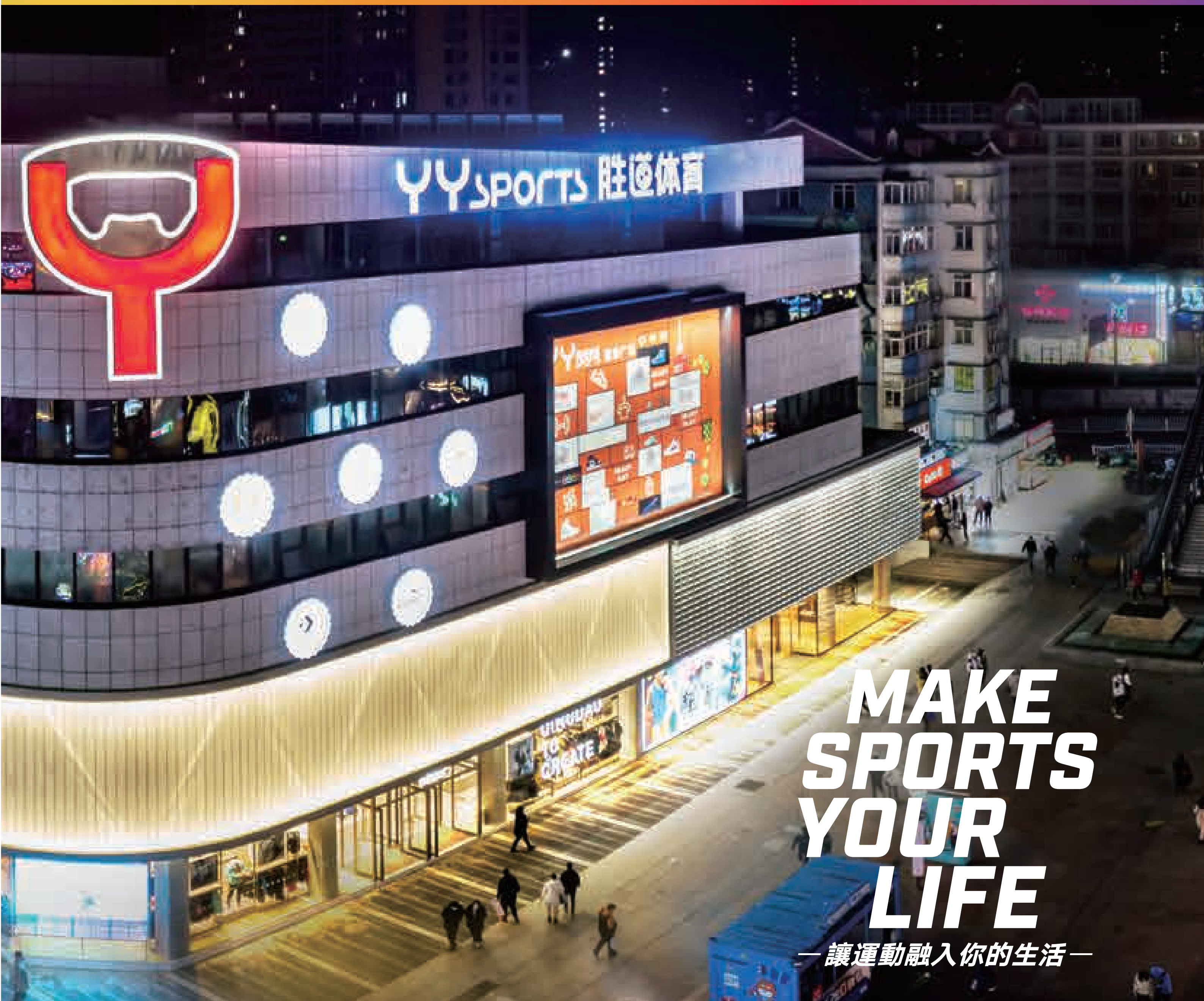

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SPORTS

OUR VISION

Make sports your life!

OUR 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.


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6
15

SPORTS

CORPORATE OVERVIEW


JIRA

CORPORATE OVERVIEW

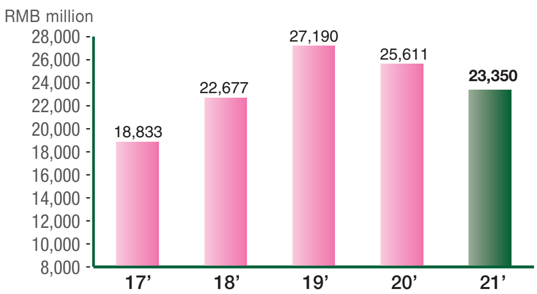
THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2021	2020	
Financial performance	RMB'000	RMB'000	Change
Revenue	23,350,235	25,611,125	-8.8%
Gross profit	8,299,283	7,826,305	6.0%
Operating profit	928,457	661,403	40.4%
Profit attributable to owners of the Company	356,587	302,840	17.7%
Gross profit margin *(%)*	35.5%	30.6%	4.9 ppt
Operating profit margin *(%)*	4.0%	2.6%	1.4 ppt
Basic earnings per share *(RMB cents)*	6.86	5.75	19.3%
Dividend per share Final dividend (proposed) *(HK$)*	0.016	–	N/A

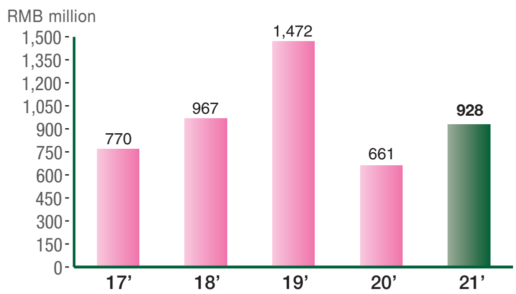
	As at December 31,		
	2021	2020	
Financial position	RMB'000	RMB'000	Change
Inventories	7,578,037	5,869,541	29.1%
Trade and other receivables	2,807,379	3,360,206	-16.5%
Bank balances and cash	1,233,783	1,742,290	-29.2%
Bank borrowings	1,581,640	1,948,679	-18.8%

KEY SHAREHOLDER VALUE INDICES

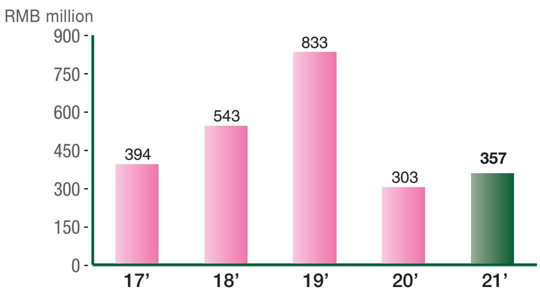
Revenue



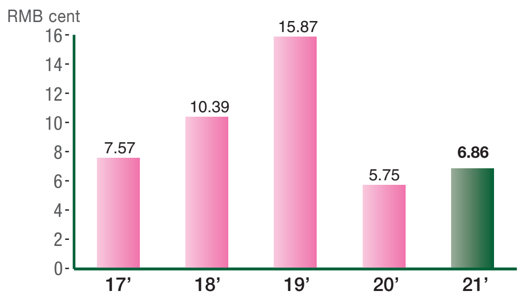
Operating Profit



Profit Attributable to Owners of the Company



Basic Earnings Per Share



CORPORATE INFORMATION

DIRECTORS

Executive Directors
Wu, Pan-Tsu (Chairman)
Lee, Shao-Wu (Chief Executive Officer)
Liao, Yuang-Whang (Chief Financial Officer)
(appointed on June 1, 2021)

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)
Lee, Shao-Wu

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
Registered Public Interest Entity Auditors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SOLICITOR
Reed Smith Richards Butler LLP

PRINCIPAL BANKERS
Australia and New Zealand Bank (China)
Company Limited
Bank SinoPac Company Limited
Citibank (China) Co., Limited
HSBC Bank (China) Company Limited
Industrial and Commercial Bank of China Limited
Jih Sun International Bank
Mizuho Bank, Limited
Mizuho Bank (China), 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

CHAIRMAN'S STATEMENT

海峡两岸
C01751
C00717
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PCG BROS

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Pou Sheng International (Holdings) Limited (the "Company" and together with its subsidiaries, the "Group") for the financial year ended December 31, 2021, to the shareholders of the Company (the "Shareholders").

2021 was a year of intense volatility amidst uncertainties for the Group. Despite experiencing a great start to the year, with retail consumption soaring from the depths seen in 2020 during the height of the novel coronavirus (COVID-19) pandemic (the "Pandemic") in China, market dynamics soon emerged that dampened our recovery. And as these headwinds started to fade, sporadic outbreaks of the Pandemic in the final months of the year saw a reintroduction of lockdowns and other movement restrictions in several major cities, coupled with shortage of product supply, depressing market conditions even further.

Yet, despite these external challenges, we managed to achieve decent digital acceleration during the year. More importantly, we were still able to expand our margins and profitability thanks to our focuses on refining, strengthening and integrating our brick-and-mortar and omni-channels, as well as improving our inventory management and operational efficiency.

Our omni-channels, including sales transacted through our private and public traffic domains, as well as online B2B, made up 21% of total sales in 2021, a steady expansion of revenue share helped by resilient growth. This continued growth from private traffic domains (the "Pan-Wechat Ecosphere") is essential for improving the quality of our sales and shortening the sales cycle, with more full-price in-season sales being made at an earlier time. This will sustain our long-term profitability and growth.

Our brick and mortar ("B&M") stores remain essential for customers to discover new products and experiences with more engagement. Throughout 2021, we continue to drive operational efficiency and optimise store formats, in which we are prioritising larger-format stores where customers can enjoy an unique, personalised and seamless shopping experience that is digitally integrated with our online channels, membership programmes and sports services. We also continued to close or upgrade smaller underperforming stores as part of our ongoing channel optimisation measures. At the other end of the scale, we opened our second global 'Next Store' in Shenyang, providing us with a new testbed for experimenting different sports services and concepts that can be modularised and implemented into our other stores to drive better sales conversion and greater customer loyalty.

One of our most notable achievements in 2021 was the expansion of cooperation with our brand partners. We further expanded and reinforced our product sharing mechanism by launching a pilot Omni-Hub programme with them to efficiently share products across different online platforms, optimise our inventory mix and sales. This project, together with other inventory integration initiatives, helped ease the pressure of inventory amid volatile market conditions throughout 2021.

The natural next step for expanding our cooperation with brands is membership programmes. In January 2022, we entered into strategic partnership with brands to implement brands' retail concept at scale in the China market and to provide a seamless and consistent Pou Sheng x brands experience through the effective integration of our products and services. In the future, this means that whenever customers shop at brands' stores operated by Pou Sheng or directly by the brand itself, they can access the same products, offers and exclusive experiences.

As the retail market in the Greater China region continues to rapidly change, we hope to implement other similar innovative initiatives in the future to further deepen our cooperation with brand partners and optimise the model in which we engage with each other. This will be especially important in 2022 as shortage of product supply ease and with the Beijing 2022 Winter Olympics bringing many major sporting brands back to the fore of consumers' minds.

Looking forward, the question becomes: how will retailers evolve to meet new norms in Greater China? Chinese consumers are becoming ever more sophisticated and have spearheaded digital adoption globally. Brands need to be more innovative to convey their messages, image and DNA. For sports brands, this must be tied to experiences, and this is where Pou Sheng will continue to add value both online and offline. This is what all the above strategies – private and public traffic omni-channels, experience-driven larger-format stores, and membership expansion and integration – are working towards.

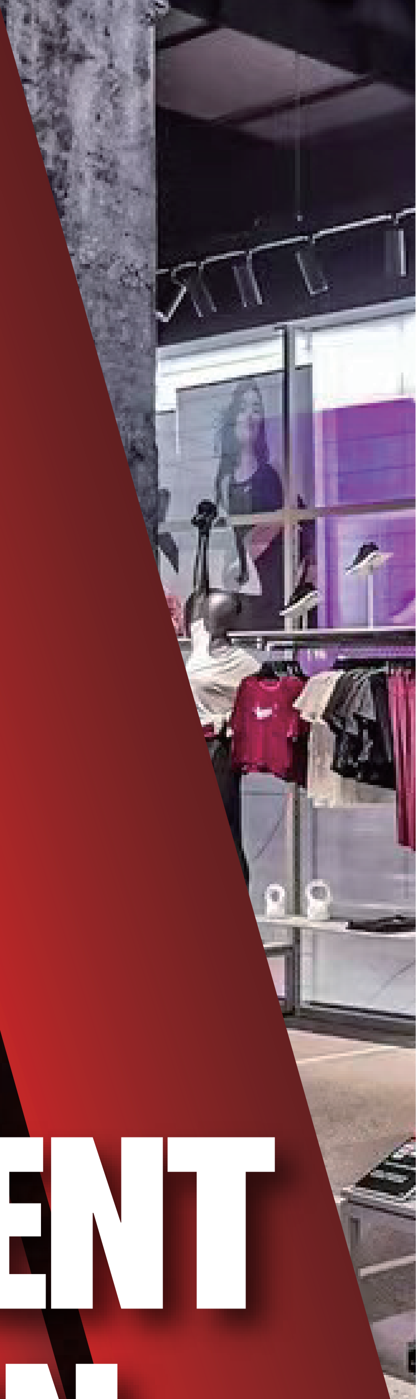
Growth opportunities in Greater China remain ample. In October 2021, the General Administration of Sport of China announced its "14th Five-Year Sports Development Plan", in-line with China's vision to become a major sports power by 2035. In August 2021, China's State Council also announced a national fitness plan in which it aims to increase the proportion of the population who participate in regular exercise to 38.5% by 2025 while boosting the size of the sports sector to RMB5 trillion (US$774 billion) by 2025, a 70% increase over 2019 levels.

For these reasons, the outlook of sports-related consumption remains incredibly strong and our prospects look bright. By taking advantage of the above opportunities, integrating our growth strategies to the fullest and pioneering new initiatives with brand partners, we remain optimistic about strengthening our leading position in the fast-growing sports market in Greater China.

I would like to thank our business partners, financial institutions, shareholders and my dedicated colleagues for their incredible and ongoing support. Without this, the challenges of 2021 would have been harder to overcome.

Wu, Pan-Tsu
Chairman

Hong Kong
March 15, 2022



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model and Environment

Business Environment

Retail sentiment in China was extremely volatile throughout 2021. Despite the relatively rosy macro environment at the beginning of the year, from which the Group benefited fully and recorded historical high operating margin in the first quarter of 2021, the negative factors, started in late March 2021 followed by sporadic outbreaks of the COVID-19 and extreme weather causing significant drop of store traffic as well as shifts of consumers appetites, adversely impacted the Group's performance in the latter three quarters of 2021 even the establishments of digital sales capabilities in private domain channels like WeChat, Douyin, shopping mall membership platform and public domain channels like Tmall, JD, Vipshop, etc. were in accelerated manners. Taking into account of the performance of overall China sportswear sector in second half of 2021, all experienced slowdown in revenue. International brands and their respective distributors, including the Group, all suffered during the difficult period amid declining consumer sentiment. In the fourth quarter particularly, Chinese government reintroduced social distancing and lockdown measures in various provinces in response to sporadic Pandemic outbreaks, coupled with shortage of product supply, retail market in China was facing various challenges uninterruptedly.

Despite these external challenges, the Group had been swiftly adapting to the changing retail environment in the Greater China region and achieved decent digital acceleration and established solid foundation of membership programs together with brand partners during the year. It continued to leverage and scale up its omni-channels – including public and private traffic domains – while focusing on refining, strengthening and integrating its brick and mortar ("B&M") distribution network and improving inventory efficiency. It also deepened its collaboration with brands to prioritise early sales and create better content to end customers.

Channel Management – B&M

Sales momentum within the Group's B&M store network was very strong in the first quarter of 2021 before facing a decline in the subsequent quarters as a result of the shifts of consumer appetites, sporadic outbreaks of the Pandemic and extreme weather in the Greater China region, alongside the declining macroeconomic environment particularly in the last quarter of 2021. Closing or upgrading smaller underperforming stores while opening a select number of larger-format stores (300 m^2 and above) as part of the Group's ongoing channel optimisation measures. As at December 31, 2021, the Group's retail network totalled 8,417 stores, consisted of 4,631 directly operated stores and 3,786 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the year ended:

	December 31, 2021	December 31, 2020
At the beginning of the year	5,240	5,883
Net decrease in the number of stores	(609)	(643)
At the end of the year	4,631	5,240

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

	December 31, 2021		December 31, 2020	
	Number	%	Number	%
Selling area				
300 m^2 or smaller	3,879	83.8	4,558	87.0
Larger than 300 m^2	752	16.2	682	13.0
Total	4,631	100.0	5,240	100.0

B&M retail channels remain a critical and irreplaceable sales touchpoint for consumers in the Greater China region who want to discover new products, and experience a unique, personalised and seamless shopping experience for sports products and services. During the year under review, the Group continued to invest in optimising store formats and accelerated its digital transformation by integrating its WeChat stores, membership programme and sports services into its B&M network to enrich the consumer experience and stimulate more higher-margin in-season sales within its offline network.

Channel Management – Omni-channels

The Group further strengthened the integration of its omni-channels into its overall sales structure, deepened its engagement with brands and customers via membership programs in 2021. This includes sales made through the Group's public traffic domains that include third-party platforms such as Tmall, JD and Vipshop, as well as sales derived from its increasingly important private traffic domain – the Pan-WeChat Ecosphere – which covers its WeChat stores, Douyin live-streaming shopping events and shopping mall digital platforms.

The Pan-WeChat Ecosphere is proving to be an increasingly lucrative and effective sales channel for the Group, delivering better conversion, shortening sales cycle and with more full-price in-season sales being made at an earlier time. It aims to connect the Group's ExP (Energy x Power, membership program operated under the brand name of YYsports) membership platform with value-added services, diverse content and member-exclusive benefits, as well as Douyin livestreams conducted by designated Key Opinion Staff. As the Group continued to invest in and allocate more resources to its private traffic domain aiming to establish sustainable consumer loyalty by providing more grass root sports related services, also focus on optimising the operations efficiency in public traffic domains throughout the year, the contribution from omni-channels to overall revenue made up of 21% of total sales in 2021, increased substantially compared to the 2020 financial year.

Investment in Sports Services

With selected sports events started to resume in China in 2021, the Group continued to organise hybrid grass root sports events to serve consumers' daily sports lives. It also continued to leverage the YYsports WeChat Mini-Program in the Greater China region, boosting the Group's ExP membership programme while offering diversified sports services content, interactive features, and other related services, to support in-depth membership management, and to facilitate a seamless online and offline customer experience.

To accelerate the development of the ExP sports services ecosystem in the Greater China region, the Group opened its second sports services store – 'Next Store' – in Shenyang in 2021 after opening its first pilot 'Next Store' in Taiwan in 2020. This new and large-scale store format is designed to support the growth of the Group's omni-channel capabilities, allowing different sports services to be modularised and customised in ways that can be easily integrated into the Group's other B&M stores as required. 'Next Stores' also act as a service hub, retailing a wide and diverse range of sporting products digitally, alongside sports travel packages, regular broadcasts, unique reading/meditation environments, café corners, training services, sports events, colourful experiences, workshops, product and lifestyle consultations, as well as health and fitness meals – all derived from grass root sports activities organised by professional teams located in the Group's headquarters and branch offices nationwide. The continuing efforts showed significant improvements in view of the results of more stable traffic visiting Next Store and the Exp ecosphere by loyal members, which will soon generate better sales conversions and loyal consumptions on the services, include sporting goods, we organise and display in our omni-network.

Operational Excellence

The Group's working capital days increased 5 days to 147 days in 2021, compared to 142 days in the 2020 financial year. The Group continued to reinforce its product sharing platform ("PSP") and launched a pilot Omni-Hub programme with brand partners to efficiently share products across different online platforms to optimise its inventory mix and sales. In addition to this project, other inventory integration initiatives also helped dilute the pressure of inventory amid volatile market conditions throughout the year under review. The Group also continued to invest in its business intelligence system and digital tools to improve its operational excellence and drive operational efficiency, particularly in areas such as real-time in-store efficiency and resource optimisation. In view of weak sales in second half of 2021 comparing with previous year and high shipment for Chinese New Year in January 2022, the Group's inventory turnover days increased to 163 days in the 2021 financial year, compared to 143 days in the 2020 financial year.

The Group's continued investments in its omni-channels and sports services also remain essential for developing its unique core competencies, maintaining its competitiveness, and supporting its long-term development. Through these aforementioned efforts, the Group is confident that it will overcome the current challenges and manage rising costs while capturing long-term growth opportunities.

PERFORMANCE ANALYSIS

Financial Review

In 2021, the Group recorded revenue of RMB23,350.2 million, representing a decline of 8.8% compared with the 2020 financial year. Gross profit was RMB8,299.3 million, an increase of 6.0% when compared to the 2020 financial year. Profit attributable to owners of the Company in 2021 was RMB356.6 million.

Revenue

The Group's total revenue in 2021 fell 8.8% to RMB23,350.2 million as compared with the 2020 financial year. The decrease was attributed to market dynamics that negatively impacted the Group's performance, as well as sporadic Pandemic outbreaks across China throughout the second half of the year, which dampened in-store traffic and overall sales, despite the Group's strong performance attributed to the strong consumption recovery in the first quarter and the continued resilience of its omni-channels.

	For the year ended December 31, 2021 RMB million	2020 RMB million	Change
Revenue	23,350.2	25,611.1	-8.8%
Cost of sales	(15,050.9)	(17,784.8)	-15.4%
Gross profit	8,299.3	7,826.3	6.0%
Gross profit margin (%)	35.5%	30.6%	4.9ppt

Gross Profit

The Group's gross profit in 2021 amounted to RMB8,299.3 million with a gross profit margin of 35.5%. The gross profit margin increased 4.9 percentage points compared to the 2020 financial year, which was mainly attributed to the active control of retail discounts and the Group's enhanced sales mix.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses in 2021 were RMB6,962.4 million (2020: RMB6,741.9 million), accounting for 29.8% of the Group's revenue (2020: 26.3%). The selling and distribution expenses primarily include concessionaire fees, depreciation of right-of-use assets in relation to stores, sales personnel salaries and commissions, other depreciation and amortisation charges, and other expenses that mainly include store operation expenses, property management fees, logistic expenses and online service fees.

General and administrative expenses in 2021 were RMB866.4 million (2020: RMB763.3 million), accounting for 3.7% of the Group's revenue (2020: 3.0%). The general and administrative expenses primarily include management and administrative personnel salaries, depreciation and amortisation charges and other expenses.

The Group's selling and distribution expenses and administrative expenses in 2021 were RMB7,828.8 million, an increase of 4.3% compared to the 2020 financial year. This was equivalent to 33.5% of total revenue, an increase of 4.2 percentage points year-on-year.

Operating Profit

The Group's operating profit in 2021 was RMB928.5 million, with an operating margin of 4.0%.

Finance Income and Finance Cost

Finance income in 2021 was RMB28.1 million, compared to RMB18.8 million in 2020. Finance costs in 2021 were RMB202.9 million, compared to RMB251.8 million in 2020, primarily as a result of a decrease in bank borrowings.

Profit for the Year

As a result of the aforementioned efforts, the Group recorded a net profit of RMB375.8 million in the 2021 financial year.

Working Capital Efficiency

The average inventory turnover period for 2021 was 163 days (2020: 143 days). The balance of inventory as at December 31, 2021 was RMB7,578.0 million as a result of the acquisition of the joint venture and as the Group stocked up on inventory ahead of the Chinese New Year holiday, that is partially offset by shortage of product supply for some brands. The average trade receivables turnover period was 22 days (2020: 22 days), which remained consistent with the credit terms of 30 to 60 days given to its department store counters and retail distributors. The average trade payables turnover period in 2021 was 38 days (2020: 23 days).

Liquidity and Financial Resources

As at December 31, 2021, the Group had solid cash and cash equivalents amounting to RMB1,233.8 million (December 31, 2020: RMB1,742.3 million), while working capital (current assets minus current liabilities) was RMB5,105.2 million (December 31, 2020: RMB3,991.3 million). Total bank borrowings further reduced to RMB1,581.6 million (December 31, 2020: RMB1,948.7 million) and are repayable within one year. Bank borrowings were mainly denominated in Renminbi and so were cash and cash equivalents. As at December 31, 2021, the Group's loans under fixed rate arrangement made up 98.9% (December 31, 2020: 97.4%) of its total bank borrowings.

The Group's gearing ratio as of December 31, 2021, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 19.3% (December 31, 2020: 24.7%). The net debt to equity ratio was 4.2% (December 31, 2020: 2.6%).

The net cash generated from operating activities in 2021 was RMB1,837.3 million. The Group's liquidity requirements are sufficiently met by the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in 2021 was RMB404.1 million, while the net cash used in financing activities was RMB1,941.4 million.

Capital Expenditure

The Group continued its strategy to target large-format experiential store offerings. This included the strategic opening of new stores, ongoing upgrades and expansion of its experience-driven B&M stores that offer a better shopping experience, store productivity improvements, as well as further optimisation of the Group's online and retail networks to capture growth opportunities. Total capital expenditure in 2021 declined to RMB452.4 million (2020: RMB585.0 million). As at December 31, 2021, the Group had no material contingent liabilities.

As at December 31, 2021, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB70.5 million (December 31, 2020: RMB140.0 million). The Group also entered into new leases for several retail stores that have not yet commenced, with an average non-cancellable period ranging from 1 to 5 years (2020: 3 to 5 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB15.3 million (December 31, 2020: RMB100.2 million).

Foreign Exchange

The Group conducts its business primarily in the Greater China region and the majority of its transactions are denominated in Renminbi. As at December 31, 2021, the Group had no significant hedging instruments for managing its foreign exchange exposure. As the exchange rate of Renminbi against foreign currencies may fluctuate, the Group may enter into forward contracts, currency swaps or options to hedge against currency risks arising from foreign currency transactions when necessary.

The Group has a dedicated treasury division and internal treasury policies and approval guidelines to manage and control the Group's exposure to structured deposit investments. The use of derivatives and approval procedures in 2021 were in accordance with the Group's internal policies and guidelines.

PROSPECTS AND FUTURE DEVELOPMENTS

As the market dynamics fades away and shortage of product supply eases, the outlook for the sports industry remains bright with national sports events, such as the Beijing 2022 Winter Olympics, further incentivising Chinese consumers to develop new exercise habits, pursue a healthy lifestyle and further develop a passion for sports. In addition, according to the National Bureau of Statistics of China, sales of garments, footwear, hats and knitwear rose by 12.7% in 2021, outperforming overall retail sales growth in the same year and demonstrating the long-term growth opportunities present in China's sportswear and sports consumption markets.

The Group will continue to accelerate its digital transformation in ways that strengthen and further diversify its omni-channels. The Group recently acquired the outstanding equity interest in its joint venture with Vipshop, which runs a well-established network with online retailers/distributors in China. This will allow the Group to strategically pivot its online focus towards more full-price in-season sales via both of its public and private domain channels, a direction that will be more margin accretive in the long term. The cessation of the joint venture agreement will also allow the Group to become less reliant on holiday promotions and improve its inventory management efficiency, strengthening the Group's omni-channel retail network strategy. The Group will continue to expand its Pan-WeChat Ecosphere to drive repeat purchases through better customer engagement and loyalty management.

Strengthening membership services will be a key focus in 2022. In January, the Group entered into a strategic partnership with one of our major brands to implement its retail concept at scale in China market. Under this strategic integrated marketplace partnership, we will connect membership services to promote the upgrade of the Group's digitally-enabled stores, allowing its customers to access member-exclusive products, offers and experiences consistent with that available at this brand's directly operated stores in China. The Group will continue to pioneer other innovative strategies with its brand partners to support membership growth, increased in-season sales volumes and maximise value for consumers.

On top of the Omni-Hub programme that is cooperatively rolled out to brand partners, the Group will also continue to enhance its business intelligence system and invest in its digital tools, such as smart product allocation artificial intelligence, dashboard and E-POS to better support its operation, optimise its inventory management and improve the efficiency of its working capital. It will also continue to drive its offline and online sales growth, reinforce its in-season sell-through and effective off-season clearance, and margin growth through its PSP, a better procurement strategy, and more effective inventory management. It will also continue to upgrade and expand its experience-driven B&M stores to offer an even more excellent shopping experience that ultimately drives further growth.

For the second time in less than fourteen years, the eyes of the sporting world were once again on Beijing. This has brought major sporting brands back to the fore of public consciousness among consumers in the Greater China region. Leveraging the above strategies and taking advantage of the government's measures to grow the sports industry, the Group aims to accelerate its growth momentum and strengthen its long-term performance and profitability.

MATERIAL ACQUISITION

On December 31, 2021, (1) Yue Cheng (Kunshan) Sports Co., Ltd (the "Purchaser"), an indirect wholly owned subsidiary of the Company, (2) Vipshop (China) Co., Ltd. (唯品會(中國)有限公司) (the "Vendor"), a subsidiary of Vipshop Holdings Limited whose shares are listed on the New York Stock Exchange, and (3) Kunshan Baowei Information Technology Co., Ltd. ("Kunshan Baowei"), a joint venture with 55% equity interest owned by the Purchaser and 45% equity interest owned by the Vendor (the "Vendor's JV Equity Interest"), entered into an equity interest transfer agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Vendor's JV Equity Interest (the "Acquisition"). The consideration of the Acquisition shall be equal to an amount which is equivalent to 45% of the consolidated net asset value of Kunshan Baowei and its subsidiaries as at December 31, 2021 and not exceeding RMB300 million, and shall be settled by way of transfer of inventories. According to the terms of the equity interest transfer agreement, Kunshan Baowei is considered as an indirect wholly-owned subsidiary of the Company as at December 31, 2021. Details are set out in note 28 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save for the Acquisition disclosed above, the Group did not have other known plans for material investments and capital assets.

HUMAN RESOURCES

As at December 31, 2021, the Group had approximately 29,600 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers share awards to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs for employees based on their respective personal career development.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS

Mr. WU, Pan-Tsu

WU, Pan-Tsu, aged 69, has been an Executive Director of the Company since April 2012. He is also the Chairman of the Company, the chairman of the Nomination Committee and the Disclosure Committee of the Board. He once was the Acting Chief Executive Officer of the Company during the period from April to August 2012. He is also a director of various subsidiaries of the Company. Mr. Wu graduated from Tamkang University, Taiwan with a Bachelor's degree in Banking and Insurance and started his career at Bank of America Taipei Branch in 1978. He later worked in ABN-AMRO Bank, Chase Manhattan Bank and BNP PARIBAS in various managerial positions. In 2000, Mr. Wu was invited to join Taishin Financial Holding Co. Ltd. in a position specialising in corporate banking. After serving in the financial services industry for about 25 years, Mr. Wu joined Pou Chen Corporation ("PCC") in 2003 and currently serves as a president. Also, he was appointed as a director of PCC in July 2020. PCC, a public company listed on the Taiwan Stock Exchange Corporation ("TWSE"), is a controlling shareholder of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), a public company listed on the Stock Exchange, and through Yue Yuen, is deemed to have interests in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Wu is a director of Elitegroup Computer Systems Co., Ltd. (shares of which are listed on TWSE). He was a director of First Sino Bank in Shanghai, China and Kleine Development Ltd. Mr. Wu is also a director of certain subsidiaries of Yue Yuen.

Mr. LEE, Shao-Wu

LEE, Shao-Wu, aged 58, has been an Executive Director of the Company since February 2017. He is also the Chief Executive Officer of the Company (the "CEO") and a member of the Disclosure Committee of the Board. He once was the Acting CEO during the period from February to March 2017. Mr. Lee is also a director of certain subsidiaries of the Company. He holds a Master of International Business Administration degree granted by Chinese Culture University in Taiwan and a Bachelor of Mechanical Engineering degree granted by National Central University in Taiwan. Mr. Lee was the managing director of Barits Securities (HK) Ltd before he joined InfoVision Optoelectronics (Kunshan) Co., Ltd., a TFT-LCD panel manufacturer in China, as chief financial officer and vice president of administration center in 2004. Mr. Lee was an executive director of Yue Yuen and the head of strategic investment of PCC.

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Mr. LIAO, Yuang-Whang

LIAO, Yuang-Whang, aged 52, has been an Executive Director of the Company since June 2021. He is also the Chief Financial Officer of the Company ("CFO") and a director of various subsidiaries of the Company. He joined the Group as the Acting CFO in March 2020 and was later re-designated as the CFO in August 2020. Mr. Liao obtained a Bachelor degree in Management Science from National Chiao Tung University in Taiwan in 1991 and a Master of Philosophy degree from University of Cambridge in the United Kingdom in 2000. He was the head of management accounting department of PCC. Before joining PCC, Mr. Liao held executive/management positions, including chief financial officer, senior vice president of finance and chief executive officer, as well as executive director and non-executive director of board of directors in several listed companies in Hong Kong. He also was an investment director in private equity for Asia region of Citibank Hong Kong and vice president in corporate finance of Citibank Taiwan. Mr. Liao has more than 25 years of experience in banking, finance, corporate governance and business operation.

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 42, has been a Non-executive Director of the Company since April 2008. She is also a member of the Audit Committee of the Board. Ms. Tsai joined Yue Yuen group in 2002. She has served as an executive director and the managing director of Yue Yuen since January 2005 and June 2013 respectively. She is responsible for the strategic planning and enterprise developments of Yue Yuen group. Ms. Tsai is also the chief executive officer of Pou Chen group, a director of PCC and Wealthplus Holdings Limited ("Wealthplus"). PCC, Wealthplus and Yue Yuen are deemed to have interests in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO. She was previously a director of Mega Financial Holding Company Limited (shares of which are listed on TWSE). Ms. Tsai graduated from the Wharton School of the University of Pennsylvania in 2002 with a Bachelor of Science in Economics degree with major in Finance and minor in Psychology.

Mr. LI I-nan

LI I-nan, aged 80, has been a Non-executive Director of the Company since March 2013. He is also a member of the Remuneration Committee of the Board. Mr. Li has many years of experience in footwear business. He joined Yue Yuen group in 1992 and was responsible for the financial operations of Yue Yuen group. He was previously an executive director of Yue Yuen. He is currently the chairman of the board of directors of Yue Yuen Education Foundation in which he has been involving in the planning and execution of various projects of the Foundation. Mr. Li holds a Bachelor and a Master of Arts degree from National Chengchi University in Taiwan and a Master of Arts degree from the University of Southern California in the United States, respectively. Previously, Mr. Li was a non-executive director of Symphony Holdings Limited ("Symphony Holdings"), a publicly listed company in Hong Kong.

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Mr. CHEN, Huan-Chung

CHEN, Huan-Chung, aged 66, has been an Independent Non-executive Director of the Company since April 2008. He is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. Mr. Chen is a partner of Wong Tong & Co., CPAS (萬通聯合會計師事務所), a certified public accountant in Taiwan and a certified securities investment analyst in Taiwan. Mr. Chen has been an independent director and a member of the audit committee of PCC since June 2018, and has been a member of the nomination committee of PCC since November 2021. He once was a supervisor of PCC. PCC is a controlling shareholder of Yue Yuen and through Yue Yuen, is deemed to have interests in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO. Mr. Chen worked as a deputy manager in E. Sun Bills Finance Corporation of Taiwan (台灣玉山票券金融(股)公司). He received a Bachelor degree from the Department of Industrial Management of National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) in 1983.

Mr. HSIEH, Wuei-Jung

HSIEH, Wuei-Jung, aged 70, has been an Independent Non-executive Director of the Company and the chairman of the Remuneration Committee of the Board since March 2013. He received a Bachelor of Science degree in Nuclear Engineering from the National Tsing Hua University, Taiwan in 1973 and a Master degree of Business Administration, Finance from National Taiwan University in 1977. Mr. Hsieh started his career at Bank of America, National Trust and Savings Association, Taipei Branch (renamed to Bank of America N.A. Taipei Branch) as account officer in 1978 and later was promoted to vice president and country banking head respectively. He was a vice president and chief finance officer of Vanguard International Semiconductor Corporation, a member of the compensation committee of Motech Industries, Inc., and an independent director, the chairman of the audit committee and a member of the compensation committee of Anpec Electronics Corporation, the shares of these three companies are traded on Taipei Exchange ("TPEx"). Mr. Hsieh currently serves as an independent director, the chairman of the audit committee and a member of the compensation committee of the board of Xintec Inc. (the shares of the company are traded on TPEx).

Mr. FENG Lei Ming

FENG Lei Ming, aged 64, has been an Independent Non-executive Director of the Company, a member of the Audit Committee and a member of the Nomination Committee of the Board since September 2018. He holds a Master of Business Administration degree granted by the University of Memphis in Tennessee of the United States. Mr. Feng has extensive experience in the Hong Kong securities industry. He is currently a vice-president of Beijing Association of Taiwan Investment Enterprises. He was a responsible officer of Ablelink Capital Limited, the managing director of Pro-Health (China) Co., Ltd., a director and the legal representative of Pro-Health (Beijing) Biotech Co., Ltd., and an independent non-executive director of Symphony Holdings.

BIOGRAPHICAL DATA OF SENIOR MANAGEMENT

Ms. CHANG, Su-Ching

CHANG, Su-Ching, aged 57, is currently a Vice President of the Company and its subsidiaries (the "Group"), in charge of Omni Channel Platform and Operation & Business Management Department. She is also a director of various subsidiaries of the Company, and a supervisor of certain subsidiaries of the Company. She was appointed as the Vice President of Finance Department of the Group in September 2011. Ms. Chang graduated with a Master degree in Finance from National Taiwan University. She has more than 20 years' working experience in treasury, cash management and financial planning.

Mr. WANG Jun

WANG Jun, aged 53, is currently an Executive Vice General Manager of the Group, in charge of Brand & Channel Development Headquarters. He is also a director of various subsidiaries of the Company. He joined the Group as a Vice President, in charge of Brand and Merchandising Management Department in April 2014. Mr. Wang graduated from the Department of Marketing of the Capital University of Economics and Business in Beijing. He has extensive experience and achievements in strategic planning, sales marketing, product branding and retail operation.

Mr. SONG Hua

SONG Hua, aged 47, is currently a Vice President of the Group, in charge of the Merchandise & Retail Business Unit. He is also a director of various subsidiaries of the Company. He joined the Group in December 2008, and was promoted to be a Vice President in March 2018, in charge of the Second Division of the Merchandise & Retail Business Unit. Mr. Song graduated from the Department of Industrial Electrical Automation of North University of China. He has extensive experience and achievements in strategic planning, sales marketing, product branding and retail operation.

Mr. FAN Kam Wing

FAN Kam Wing, aged 40, is currently the Company Secretary and the Financial Controller of the Company. He is also a director of various subsidiaries of the Company. He joined the Company as the Financial Controller in April 2017. Mr. Fan holds a honours degree of Bachelor of Business Administration in Accountancy from City University of Hong Kong and a degree of Master of Business Administration from The Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Fan worked for an international audit firm. He has over fifteen years of extensive experience in accounting, auditing and financial management.

DIRECTORS' REPORT

The directors of Pou Sheng International (Holdings) Limited (the "Company" and the "Director(s)" or the "Board", respectively) are pleased to present this annual report (the "Annual Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2021.

All references made below to other sections, reports or notes in the Annual Report shall form an integral part of this report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are distribution and retailing of sportswear and footwear products, provision of sports services and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2021 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 108 and 109.

The appropriations of profits of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 112 to 113.

DIVIDENDS

No dividends were paid, declared or proposed for the ordinary shares of the Company (the "Shares") during the year.

After the end of the reporting period, the Directors recommended a final dividend in respect of the year ended December 31, 2021 of HK$0.016 per Share (2020: nil) to the holders of the Shares (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, June 7, 2022, amounting to approximately HK$85.2 million (2020: nil), subject to approval by the Shareholders at the forthcoming annual general meeting of the Company (the "2022 AGM").

FIVE YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 208.

DIRECTORS' REPORT

BUSINESS REVIEW

A review of the business of the Group during the year as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) is covered in different sections, reports or notes in the Annual Report, which shall form an integral part of this review.

Fair Review of Business

The information is provided in the Chairman's Statement on pages 10 to 13 and Management Discussion and Analysis on pages 14 to 24.

Principal Risks and Uncertainties

The Board and senior management of the Group continue to devote time and resources in screening for specific risks in the Group, and in developing a mindset of balanced risk minimisation. The Group has specific policies and management system in place to ensure that risks are properly evaluated and managed at the appropriate level within the Group.

The principal risks and uncertainties that could impact the Group's performance and its mitigating activities are discussed below. Details about the Group's financial risk management are set out in Note 34(b) to the consolidated financial statements.

Description and Impact of Risk and Uncertainty	Mitigation
Information Technology and Data Security	
The reliance of the Group's operation on information technology ("IT") system is heavy. Any failure could cause adverse effects to the business operation.	The Group makes significant investment in technology infrastructure. The system is regularly backed-up. Contingency and disaster recovery plans are in place to deal with any system failures.
The IT system might be subject to security breaches resulting in theft, leakage or corruption of key information, trade secrets and sensitive customer and personal data, which could have a severe impact on the Group's reputation.	An information security regime is established. Confidential files are encrypted and/or password protected. Only relevant employees with authority are allowed to have access to sensitive data, especially financial data. Extensive and resilient controls, and vulnerability assessments are undertaken before updates are released to reduce risk of security breaches.
Human Resources	
Loss of key management personnel could cause disruption in delivery of strategic objectives.	Effective retention system, succession plan, career development plan and systematic training are established to develop and train talents, and ensure effective continuation of leadership and expertise without any interruption respectively.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Human Resources (Continued) The Group needs to attract talents and retain employees with relevant experience and knowledge in order to take advantage of all growth opportunities to achieve its strategic objectives and maintain its high quality services.	The Group continues to widen its talent pool. The performance management system is designed to provide reward, competitive remuneration structures and challenging development opportunities to attract talents and retain employees.
Market The Group operates in a highly competitive market with a wide variety of retailers, which makes it difficult for the Group to stand out and build long-term relationships with customers.	The Group strives to improve customer satisfaction continuously. Member exclusive and tailor-made offers, and attentive and sincere customer services are introduced to increase customers' loyalty. Innovative sports product-and-service experience-rich brick-and-mortar retail stores are launched to arouse consumer sentiments. 365-day interaction with customers is one of our customer relationship commitments.
Location of brick-and-mortar retail stores plays a vital role in the Group's success as most of the Group's revenue is derived from sales of brick-and-mortar retail stores. Wrong store location could cause waste of upfront investments and disruption to the marketing strategies.	Objective scientific methods are employed in the evaluation process of store location selection. Close and win-win relationships are built with nationwide landlords.
Public Health and Natural Environment Severe outbreak of infectious diseases (e.g. novel coronavirus (COVID-19) pandemic) might lead to city lockdown and negative growth of global economy. Therefore, the operation of the brick-and-mortar retail stores of the Group might be suspended, and consumption sentiment including brick-and-mortar retail store traffic might significantly decline. These all might seriously affect the performance of the Group as majority of the revenue of the Group is derived from sales of the brick-and-mortar retail stores.	The development of digital and omni-channel business is accelerated to alleviate the effect of the drop in brick-and-mortar retail store business. A special steering panel is formed to oversee the operations and make prompt decisions on a daily basis. Stringent precautionary measures are adopted to protect the employees and customers from infection. IT infrastructure is well developed to support telecommuting.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Public Health and Natural Environment (Continued)	
More frequent and intense catastrophic weather events (e.g. Henan Floods and cold waves in northern People's Republic of China (the "PRC")) pose a very serious potential threat to the safety of employees and properties of the Group. Such critical events could also cause operational disruption, such as disruption to supply chains or distribution channels.	Sustainable development panel is established to manage the environmental related risks. Properties of the Group are well insured. Emergency financial aid is provided to employees and their families. Inventory is stored in various locations and the logistic network is well designed to support flexible delivery rearrangement.
Strategy and Operation	
The Group's experience and commitment in market development of emerging brands are limited. Wrong brand positioning could have a material adverse effect on the sales performance of those emerging brands and dampen the overall profitability of the Group.	Systematic and specialised talent nurturing programme is established. An integrated online-offline multi-brands hatching platform is developed.
Majority of the revenue of the Group is derived from products of a small number of top brands. Any strain in relationship with or loss of charisma of these top brands could have an adverse effect on the Group's business and financial condition.	The Group endeavors to strengthen its omni-sales channel capabilities and differentiate itself from other competitors by integrated sports product-and-service offerings and experience-rich brick-and-mortar retail stores in order to impress the top brands with its dedication and sincerity in being their most valuable partner. The brand mix of the Group is diversified.
Along with the expansion of the Group's digital sales, logistics and courier supports have become important. Inefficient logistics and courier could cause a very high operation cost and loss of customers.	The Group makes significant investment in logistics and courier infrastructure. For effective cost control, warehouses and inventories are shared with other strategic partners and part of logistics and courier supports are out-sourced.
Inventory management is very crucial to the success of the Group's business. Poor inventory management could affect the Group's ability to meet its customers' needs and jeopardise the profitability of the Group.	Rigor procurement and inventory management policies and practices are established. Mutually compatible online-offline sales strategies are adopted to reinforce in-season sales and effective off-season clearance. In order to meet customers' needs timely and precisely, real-time data analysis system is employed.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Legal Compliance	
The Group has to comply with a large number of different laws, rules, regulations and accounting standards, which are subject to continuing changes. Any breach and non-compliance could damage the Group's image and reputation.	The Group actively seeks to identify and meet its regulatory obligations and to respond to new requirements. Corporate governance policy is established to ensure good governance and ethical practices. Proper controls are also in place.
The Group enters into a lot of agreements with various parties. Any breach of such agreements could cause the Group to incur significant monetary liabilities and loss of future business opportunities.	All agreements are repeatedly reviewed by different departments before signing and are well documented. Independent professional advice is sought when required.
Economic and Social Environment	
The Group's business operations are mainly conducted in the PRC. Thus the Group's business and prospects are significantly affected by the economic and social environment in the PRC. If there is a downturn in the economy or social unrest in the PRC, consumer spending could be significantly weakened.	The Group keeps paying attention to the economic and social developments in the PRC on a proactive continuous basis to enable the Group to cope with changes effectively. To arouse consumer sentiments, the Group keeps exploring and strengthening its brand and product portfolios, and sales strategies continuously.

Events after the Reporting Period

There are no significant events affecting the Group after the reporting period and up to the date of this report.

Future Development in Business

The information is provided in the Chairman's Statement on pages 10 to 13 and Management Discussion and Analysis on pages 14 to 24.

Financial Key Performance Indicators

The financial key performance indicators are provided in the Corporate Overview on page 8 and the relevant analysis is provided in the Chairman's Statement on pages 10 to 13 and Management Discussion and Analysis on pages 14 to 24.

BUSINESS REVIEW (Continued)

Environmental Policies and Performance

The noticeable deterioration of environment and frequent extreme weather events arising from climate change have prompted us to reduce our energy and resource consumption. The Group follows the local laws concerning environmental protection and, where there are no conflicts, the relevant environmental policies of the various brands distributed by the Group.

Owing to the nature of retail business, the Group's operations do not directly lead to any emission of hazardous pollutants, the pollution emission standards that the Group must comply with are relatively straightforward. We use our materials and resources as efficiently as possible. Standardised methods and tools are applied to ensure waste-optimised and low-emission processes covered the entire value chain.

More information is provided in the Environment, Social and Governance Report (the "ESG Report") on pages 73 to 101.

Compliance with Laws and Regulations

During the year, the Group is not aware of any non-compliance with laws and regulations that have a significant impact on the operations of the Group.

Relationships with Employees, Customers and Suppliers

Our relationship with employees

Our employees are the foundation of our success. Respect, appreciation and fairness are the tenets of our relationship with employees. When structuring our work environment, we have let all the tenets incorporated in it. We do not tolerate any behaviour of discrimination, harassment, vilification and victimisation under any circumstances in the workplace. We do not discriminate against any employees or candidates for employment because of their race, ethnic origin, religion, political affiliation, disability or age. We expect professional competence, exemplary management practices at all levels and effective team work. We demand our staff to be honest, responsible, trustworthy and willing to adopt our principles of corporate responsibility, and to be paragon and to make their best contribution towards the Company's success in every aspect through applying the principles.

Our relationship with customers and suppliers

We aim to be a leading and innovative company in our industry. Sustainable customer and supplier relationships could only be built on the basis of honesty and trust. We believe that these principles will defend and bolster our success and our suppliers' success. The compliance guidelines and responsible supply chain management principles we adhere to will help us to achieve this aim. We consider our suppliers as partners who are able to make an important contribution to our business success. Our customers could choose to shop in-store or online, whichever they prefer. Best practices are adopted by the Group for ensuring that customers are treated fairly and will receive good customer service throughout their time with us. Regarding the wholesale business, the Group abides by the following: (1) usually transact on "cash on delivery" basis; (2) short term credits are provided to those retailers the Group deems creditworthy; and (3) endeavor to secure timely delivery as promised.

More information is provided in the ESG Report on pages 73 to 101.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Friday, May 27, 2022 at 10:00 a.m. at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2022 AGM

For the purpose of ascertaining entitlement to attend and vote at the 2022 AGM (the "Entitlement to 2022 AGM"), the Register of Members will be closed from Monday, May 23, 2022 to Friday, May 27, 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 20, 2022. The record date for Entitlement to 2022 AGM will be Friday, May 27, 2022.

Entitlement to the proposed final dividend

For the purpose of ascertaining entitlement to the proposed final dividend (the "Entitlement to Final Dividend"), the Register of Members will be closed from Tuesday, June 7, 2022 to Friday, June 10, 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend payable on Thursday, June 23, 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, June 6, 2022. Dividend warrants will be despatched on Thursday, June 23, 2022. The record date for Entitlement to Final Dividend will be Tuesday, June 7, 2022.

DONATIONS

During the year, the Group made donations totalling approximately RMB0.2 million (2020: RMB0.2 million).

SUBSIDIARIES AND JOINT VENTURES

Details of the principal subsidiaries and joint ventures of the Group as at December 31, 2021 are set out in Notes 36, 17 and 28 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL/ISSUE OF EQUITY SECURITIES

Details of the movement in share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section "Share Option Scheme", no equity-linked agreements that will or may result in the Company issuing Shares nor require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution consisted of contributed surplus of approximately RMB1,136.5 million (December 31, 2020: RMB1,136.5 million) plus accumulated profits of approximately RMB213.2 million (December 31, 2020: RMB265.2 million).

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than its liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2021, the Company repurchased a total of 30,668,000 Shares (2020: nil) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately HK$37.0 million (approximately RMB30.2 million) as follows:

Month of repurchases	Number of Shares repurchased	Highest price paid per Share HK$	Lowest price paid per Share HK$	Aggregate consideration paid (including direct costs) HK$
December 2021	30,668,000	1.25	1.10	37,016,800

All the Shares repurchased were subsequently cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

The above repurchase of Shares was effected by the Board, pursuant to the general mandate to repurchase Shares granted by the Shareholders at the annual general meeting of the Company held on 28 May 2021, with a view to benefiting Shareholders as a whole by enhancing the net asset value and earnings per Share.

During the year ended December 31, 2021, the trustee of the share award scheme of the Company (the "Share Award Scheme") did not purchase any of the Shares (2020: 84,270,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES (Continued)

Save as disclosed above, 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 (2020: nil) during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws"), or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Wu, Pan-Tsu (Chairman)
Lee, Shao-Wu (Chief Executive Officer)
Liao, Yuang-Whang (Chief Financial Officer) (appointed on June 1, 2021)

Non-executive Directors

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors ("INEDs")*note*

Chen, Huan-Chung
Hsieh, Wuei-Jung
Feng Lei Ming

note:

On the date of this report, Mr. Hsieh, Wuei-Jung tendered his resignation as an INED with effect from March 25, 2022, and Mr. Liu, Hsi-Liang, also known as Mr. Freddie Liu, was appointed as an INED with effect from March 25, 2022, details of which were set out in the announcement of the Company dated March 15, 2022.

In accordance with the Bye-laws, Mr. Li I-nan and Mr. Chen, Huan-Chung will retire by rotation at the 2022 AGM and, being eligible, will offer themselves for re-election. Moreover, Mr. Liao, Yuang-Whang, who was appointed as an addition to the existing Board on June 1, 2021 and Mr. Liu, Hsi-Liang, who has been appointed to fill a casual vacancy as an INED with effect from March 25, 2022, hold office until the 2022 AGM and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

Biographical data of the Directors and senior management of the Group are set out on pages 25 to 28.

DIRECTORS' SERVICE CONTRACTS

The terms of office of all Directors are three years and subject to retirement by rotation in accordance with the provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Bye-laws.

None of the Directors being proposed for re-election at the 2022 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, subject to the applicable laws and regulations, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duties in their respective offices provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The permitted indemnity provision has been in force throughout the year ended December 31, 2021. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections "Discloseable and Connected Transaction" and "Continuing Connected Transactions", and Note 9(d) to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director, or a controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

In addition, no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the year or at the end of the year.

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

As at December 31, 2021, 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) as 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) 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 Listing Rules, were as follows:

Long Positions in shares and underlying shares

(a) The Company

Ordinary shares of HK$0.01 each of the Company

		Number of Shares/underlying Shares held					
Name of Directors/ chief executives	Capacity	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	5,000,000[2]	–	–	–	5,000,000	0.09%
Liao, Yuang-Whang	Beneficial owner	1,307,000	–	–	–	1,307,000	0.02%

notes:

1 The total number of issued Shares as at December 31, 2021 was 5,326,179,615.

2 Included interests in 2,000,000 awarded Shares granted under the Share Award Scheme, which are subject to certain vesting conditions and remain unvested as at December 31, 2021. Details of the awarded Shares are set out in the section "Share Award Scheme".

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

Long Positions in shares and underlying shares (Continued)

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

Ordinary shares of HK$0.25 each of Yue Yuen

Name of Directors/ chief executives	Capacity	Number of shares/underlying shares held					Percentage of the issued shares of Yue Yuen[1]
		Personal interests	Family interests	Corporate interests	Other interests	Total	
Lee, Shao-Wu	Beneficial owner	213,000[2]	–	–	–	213,000	0.01%
Liao, Yuang-Whang	Beneficial owner	30,000[3]	–	–	–	30,000	0.00%

notes:

1 The total number of issued shares of Yue Yuen as at December 31, 2021 was 1,612,183,986.

2 Included interests in 60,000 awarded shares granted by Yue Yuen under the share award scheme of Yue Yuen (the "YY Share Award Scheme"), which are subject to certain vesting conditions and remain unvested as at December 31, 2021. Details of the awarded Shares are set out in the section "Arrangement to Acquire Shares or Debentures".

3 30,000 awarded shares granted by Yue Yuen under the YY Share Award Scheme, which are subject to certain vesting conditions and remain unvested as at December 31, 2021. Details of the awarded shares are set out in the section "Arrangement to Acquire Shares or Debentures".

Save as disclosed above, as at December 31, 2021, 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 pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the reporting period and up to the date of this report, in accordance with the register of interests in Shares and short positions of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO, Yue Yuen was a controlling Shareholder holding approximately 62-63% indirect share interests in the Company. Yue Yuen's principal business was OEM/ODM footwear manufacturing. Ms. Tsai Patty, Pei Chun was a director and the managing director of Yue Yuen, and Mr. Wu, Pan-Tsu was a director of certain subsidiaries of Yue Yuen. Mr. Wu, Pan-Tsu, Mr. Lee, Shao-Wu and Mr. Liao, Yuang-Whang also had interests in the shares and underlying shares in Yue Yuen during the reporting period, the details of which are set out in the section "Arrangement to Acquire Shares or Debentures". Therefore, the Directors aforementioned were considered as having interests in Yue Yuen.

Notwithstanding the above, since the Company and Yue Yuen are separately listed entities and are mainly run by separate and independent management teams, the Directors believe that the Company is capable of carrying on its business independently of, and at arm's length from Yue Yuen. As the Company no longer has any footwear manufacturing business, it is expected that there will not be any competition between the Company and Yue Yuen in the field of footwear manufacturing business.

Save as disclosed above, during the reporting period and up to the date of this report, none of the Directors had any interest in any business which competes or is likely to compete with that of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

UPDATE ON DIRECTORS' INFORMATION

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

1. On September 10, 2021, Mr. Feng Lei Ming entered into a supplemental letter of appointment with the Company for renewal of his term of appointment as an INED for a further term of three years commencing on September 30, 2021 and ending on September 29, 2024, subject to retirement by rotation and re-election at annual general meetings pursuant to the Bye-laws.

2. On October 27, 2021, Mr. Feng Lei Ming ceased to be the managing director of Pro-Health (China) Co., Ltd.

3. On November 12, 2021, Mr. Chen, Huan-Chung was appointed as a member of the nomination committee of Pou Chen Corporation ("PCC"). PCC is a controlling shareholder of Yue Yuen, the controlling Shareholder, and through Yu 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.

4. On November 18, 2021, Mr. Feng Lei Ming ceased to be a director and the legal representative of Pro-Health (Beijing) Biotech Co., Ltd.

5. On March 15, 2022, Mr. Hsieh, Wuei-Jung tendered his resignation as an INED and the chairman of the remuneration committee of the Board (the "Remuneration Committee") with effect from March 25, 2022.

UPDATE ON DIRECTORS' INFORMATION (Continued)

6. On March 15, 2022, Mr. Liu, Hsi-Liang was appointed as an INED and the chairman of the Remuneration Committee with effect from March 25, 2022. He will hold the office until the 2022 AGM and be eligible for re-election at such meeting; and thereafter will be subject to retirement by rotation and re-election at annual general meetings pursuant to the Bye-laws. A letter of appointment as an INED for a term of three years commencing on March 25, 2022 and ending on March 24, 2025 was entered into between the Company and Mr. Liu, Hsi-Liang on the same date.

7. Details of change in the Directors' remuneration are set out in Note 9(a) to the consolidated financial statements.

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 was adopted by the Shareholders on May 14, 2008, 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 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.

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 6.67% 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.

SHARE OPTION SCHEME (Continued)

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.

The Share Option Scheme has already ceased to have any effect during the year upon the final batch of outstanding share options lapsed at the end of the day on September 1, 2021. As at December 31, 2021 and the date of this report, there were no outstanding share options. Overall, an aggregate of 31,125,000 Shares have been issued upon exercise of all the share options granted under the Share Option Scheme.

Pursuant to the Share Option Scheme, movements in share options during the year 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, 2021	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2021
Former Employees								
14.11.2016	2.494	14.11.2016-31.08.2019	01.09.2019-01.09.2021	1,166,320	-	-	(1,166,320)	-
Total				1,166,320	-	-	(1,166,320)	-

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

Further details of the Share Option Scheme are set out in Note 27(a) to the consolidated financial statements.

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 and approved by the Board. All the share awards granted under the Share Award Scheme should be vested in accordance with the conditions (such as employment status, individual performance and common key performance indicators) as determined by the Board.

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

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).

SHARE AWARD SCHEME (Continued)

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

			Number of awarded Shares				
	Date of grant	Vesting period	Balance as at January 1, 2021	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Balance as at December 31, 2021
Director							
Lee, Shao-Wu	11.08.2018	11.08.2018-10.03.2021	500,000	–	(500,000)	–	–
	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
	31.03.2020	31.03.2020-30.03.2021	500,000	–	(500,000)	–	–
	31.03.2020	31.03.2020-30.03.2022	500,000	–	–	–	500,000
	31.03.2020	31.03.2020-30.03.2023	500,000	–	–	–	500,000
	24.03.2021	24.03.2021-23.09.2022	–	100,000	–	–	100,000
	24.03.2021	24.03.2021-23.09.2023	–	150,000	–	–	150,000
	24.03.2021	24.03.2021-23.03.2024	–	250,000	–	–	250,000
Sub-total			2,800,000	500,000	(1,300,000)	–	2,000,000
Employees							
	11.08.2018	11.08.2018-10.03.2021	7,978,000	–	(7,888,000)	(90,000)	–
	23.03.2019	23.03.2019-22.09.2021	3,307,200	–	(2,829,000)	(478,200)	–
	23.03.2019	23.03.2019-22.03.2022	5,512,000	–	–	(991,500)	4,520,500
	24.03.2021	24.03.2021-23.09.2022	–	1,568,000	–	(126,600)	1,441,400
	24.03.2021	24.03.2021-23.09.2023	–	2,352,000	–	(189,900)	2,162,100
	24.03.2021	24.03.2021-23.03.2024	–	3,920,000	–	(316,500)	3,603,500
	13.08.2021	13.08.2021-12.02.2023	–	460,800	–	(12,800)	448,000
	13.08.2021	13.08.2021-12.02.2024	–	691,200	–	(19,200)	672,000
	13.08.2021	13.08.2021-12.08.2024	–	1,152,000	–	(32,000)	1,120,000
Sub-total			16,797,200	10,144,000	(10,717,000)	(2,256,700)	13,967,500
Grand total			19,597,200	10,644,000	(12,017,000)	(2,256,700)	15,967,500

The closing prices of the Shares immediately before the grants of awarded Shares on March 24, 2021 and August 13, 2021 were HK$1.78 and HK$1.57 per Share respectively.

Further details of the Share Award Scheme are set out in Note 27(b) to the consolidated financial statements.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Under the YY Share Award Scheme and subject to certain vesting conditions, three of the Directors have been awarded with ordinary shares of Yue Yuen, details of which are as follows:

Name of Directors	Date of award	Number of shares awarded	Date of vesting	Number of shares vested	Number of shares unvested
Wu, Pan-Tsu	02.10.2018	40,000	31.05.2021	40,000	–
	31.03.2021	54,000	01.06.2021	54,000	–
Lee, Shao-Wu	31.03.2021	75,000	01.06.2021	75,000	–
	01.06.2021	60,000	31.05.2023	–	60,000
Liao, Yuang-Whang	01.06.2021	30,000	31.05.2023	–	30,000

Save as disclosed herein and as stated in the sections "Share Option Scheme" and "Share Award Scheme" above, at no time during the year 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 December 31, 2021, 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	3,331,551,560	62.55%
Yue Yuen	(a), (b)	Interest of a controlled corporation/ Beneficial owner	3,331,551,560	62.55%
Wealthplus Holdings Limited (" Wealthplus")	(b)	Interest of a controlled corporation	3,331,551,560	62.55%
PCC	(b)	Interest of a controlled corporation	3,331,551,560	62.55%

notes:

The total number of issued Shares as at December 31, 2021 was 5,326,179,615.

(a) 3,331,551,560 Shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.

(b) The entire issued share capital of Major Focus is held by Yue Yuen, in which Wealthplus and Win Fortune Investments Limited ("Win Fortune") respectively hold 47.95% and 3.16% voting shares. Wealthplus and Win Fortune are in turn wholly-owned by PCC. Accordingly, Yue Yuen, Wealthplus and PCC are all deemed to be interested in these Shares under the SFO.

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

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

Save as disclosed above, as at December 31, 2021, the Directors were not aware of any other person (other than 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.

DISCLOSEABLE AND CONNECTED TRANSACTION

Proposed Acquisition of 45% Equity Interest in a Joint Venture

On December 31, 2021, (i) the Company's indirect wholly-owned subsidiary, Yue Cheng (Kunshan) Sports Co., Ltd ("Yue Cheng"), (ii) Vipshop (China) Co., Ltd. ("Vipshop") and (iii) Kunshan Baowei Information Technology Co., Ltd. ("Baowei", together with its subsidiaries, collectively referred to as the "BW Group") entered into an equity interest transfer agreement, pursuant to which, Yue Cheng has conditionally agreed to purchase and Vipshop has conditionally agreed to sell the 45% equity interest in Baowei owned by Vipshop as at the date (the "Acquisition").

As at December 31, 2021, Baowei was a joint venture of the Company owned as to 55% by Yue Cheng and 45% by Vipshop. Baowei mainly engages in distribution and retailing of sportswear and footwear products on online platforms and related fulfilment and consulting services in the PRC.

The consideration of the Acquisition (the "Consideration") was agreed to be equal to an amount equivalent to 45% of the audited consolidated net asset value of the BW Group as at December 31, 2021 and in no event exceeds RMB300,000,000; and to be settled by Yue Cheng by way of transfer of inventories. The Consideration was determined after arm's length negotiations between Vipshop and Yue Cheng on normal commercial terms with reference to the financial performance and position of the BW Group, and the unaudited consolidated net asset value of the BW Group.

Completion of the Acquisition (the "Completion") was agreed to be subject to and conditional upon satisfaction or waiver (as appropriate) of certain conditions precedent, and to take place on or before March 31, 2022. Upon Completion, Yue Cheng will own 100% equity interest in Baowei and Vipshop will cease to own any equity interest in Baowei. Up to the date of this report, the Completion has not yet taken place and is expected to take place as scheduled.

As one or more of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition were more than 5% but less than 25% as at December 31, 2021, the Acquisition constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DISCLOSEABLE AND CONNECTED TRANSACTION (Continued)

Proposed Acquisition of 45% Equity Interest in a Joint Venture (Continued)

As Vipshop was a substantial shareholder of Baowei holding 45% of its equity interest, Vipshop was a connected person at subsidiary level of the Company as at December 31, 2021. The Acquisition therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The Board had approved the Acquisition, and the INEDs had confirmed that the terms of the Acquisition were fair and reasonable and the Acquisition was and is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

Details of the Acquisition were set out in the announcement issued jointly by the Company and Yue Yuen dated December 31, 2021.

CONTINUING CONNECTED TRANSACTIONS

Purchase of footwear products from Yue Yuen

On November 13, 2018, the Company entered into a framework agreement with Yue Yuen (the "2018 Framework Agreement"), pursuant to which the Company might, through its subsidiaries, jointly controlled entities and associates (the "PS Sub Group"), purchase from Yue Yuen's subsidiaries, jointly controlled entities and associates (the "YY Sub Group") and/or any factories operated and/or appointed by members of the YY Sub Group (the "YY Factories") footwear products for the period from January 1, 2019 to December 31, 2021 subject to the following annual caps:

Year	Annual Cap
January 1, 2019 to December 31, 2019	RMB30,000,000
January 1, 2020 to December 31, 2020	RMB35,000,000
January 1, 2021 to December 31, 2021	RMB40,000,000

The annual caps for each of the aforesaid years were determined after taking into account (a) the unit price of the footwear products; (b) the historical purchase amounts of the footwear products; (c) the expected change of the purchase amounts of the footwear products from members of the YY Sub Group and/or the YY Factories; and (d) the current market price of the footwear products.

Since Yue Yuen was a controlling Shareholder holding 3,311,090,560 Shares (being approximately 61.98% of the then issued Shares), it was a connected person of the Company as at November 13, 2018. Therefore, the 2018 Framework Agreement and the transactions contemplated thereunder (the "2018 YY Footwear Transactions") constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Purchase of footwear products from Yue Yuen (Continued)

As at November 13, 2018, Ms. Tsai Patty, Pei Chun was considered to have a material interest in the 2018 YY Footwear Transactions by virtue of her Yue Yuen directorship and had abstained from voting on the relevant resolutions approving the 2018 YY Footwear Transactions. In addition, each of Mr. Wu, Pan-Tsu and Mr. Lee, Shao-Wu was interested in 40,000 unvested share awards and 78,000 shares in Yue Yuen respectively. For good corporate governance, Mr. Wu, Pan-Tsu and Mr. Lee, Shao-Wu had voluntarily abstained from voting on the relevant resolutions approving the 2018 YY Footwear Transactions.

Details of the 2018 YY Footwear Transactions were set out in the announcement of the Company dated November 13, 2018.

The total transaction amount of the 2018 YY Footwear Transactions for the year ended December 31, 2021 was approximately RMB6.5 million (exclusive of value-added tax ("VAT")). The determination of prices and terms of the transactions conducted has followed the pricing policies and guidelines as described in the announcement of the Company dated November 13, 2018.

Since the 2018 Framework Agreement was due to expire on December 31, 2021, on November 11, 2021, the Company entered into a new framework agreement with Yue Yuen (the "2021 Framework Agreement"), pursuant to which the Company may, through the PS Sub Group, purchase from the YY Sub Group and/or YY Factories footwear products for the period from January 1, 2022 to December 31, 2024 subject to the following annual caps.

Year	Annual Cap (exclusive of VAT)
January 1, 2022 to December 31, 2022	RMB12,100,000
January 1, 2023 to December 31, 2023	RMB13,000,000
January 1, 2024 to December 31, 2024	RMB15,600,000

The annual caps for each of the aforesaid years were determined after taking into account (a) the unit price of the footwear products; (b) the historical transaction amounts of the footwear products; (c) the expected change of the transaction amounts of the footwear products from members of the YY Sub Group and/or the YY Factories; and (d) the current market price of the footwear products.

Since Yue Yuen was a controlling Shareholder holding 3,311,090,560 Shares (being approximately 61.81% of the then issued Shares), it was a connected person of the Company as at November 11, 2021. Therefore, the 2021 Framework Agreement and the transactions contemplated thereunder (the "2021 YY Footwear Transactions") constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Purchase of footwear products from Yue Yuen (Continued)

As at November 11, 2021, Ms. Tsai Patty, Pei Chun was considered to have a material interest in the 2021 YY Footwear Transactions by virtue of her Yue Yuen directorship and had abstained from voting on the relevant resolutions approving the 2021 YY Footwear Transactions. In addition, each of Mr. Lee, Shao-Wu and Mr. Liao, Yuang-Whang was interested in 213,000 shares (60,000 of which were unvested share awards) and 30,000 unvested share awards in Yue Yuen respectively. For good corporate governance, Mr. Lee, Shao-Wu and Mr. Liao, Yuang-Whang had voluntarily abstained from voting on the relevant resolutions approving the 2021 YY Footwear Transactions.

Details of the 2021 YY Footwear Transactions were set out in the announcement of the Company dated November 11, 2021.

Annual Review of Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's independent auditor was engaged to report on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified report containing relevant conclusions in respect of the above continuing connected transactions and confirmed that nothing has come to their attention in relation to the above continuing connected transactions of the matters set out in Rule 14A.56 of the Listing Rules.

RELATED AND CONNECTED PARTY TRANSACTIONS

Details of related and connected party transactions for the year are set out in Note 32 to the consolidated financial statements.

Save as disclosed herein and above in the sections "Discloseable and Connected Transaction" and "Continuing Connected Transactions", the Company has not entered into other transactions with its connected parties which are required to be disclosed in the Annual Report in accordance with Chapter 14A of the Listing Rules.

With regard to the related party transactions which also constitute connected transactions or continuing connected transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and Messrs. Deloitte Touche Tohmatsu, the independent auditor of the Company, the Group's consolidated financial statements for the year ended December 31, 2021, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal controls, and financial reporting matters.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of sales attributable to the Group's five largest customers was less than 30% of the Group's total sales for the year.

The aggregate amounts of purchases attributable to the Group's largest and five largest suppliers were 40.0% and 96.2% of the Group's total purchases for the year, respectively.

None of the Directors or the close associates of the Directors or the Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) have an interest in any of the Group's five largest customers or suppliers at any time during the year.

EMOLUMENT POLICY

The Group's emolument policy for employees is set up by the Board. The emoluments of the employees are determined on the basis of their merit, qualifications and competence, with reference to prevailing salary levels in the market. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

The emoluments of the Directors are recommended and reviewed by the Remuneration Committee and are decided by the Board, having regard to, inter alia, the Group's performance and financial position, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme (expired) and Share Award Scheme to provide incentives to its Directors and eligible employees of the Group and to recognise their contributions and ongoing efforts. Details of which are set out in the sections "Share Option Scheme" and "Share Award Scheme", and Note 27 to the consolidated financial statements.

PENSION SCHEME

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries of the Group are required to contribute to the retirement benefit schemes to fund the benefits at a defined percentage of employees' payroll. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group has also enrolled all its qualifying employees in Hong Kong into the Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme enrolled are held separately from those of the Group in trust under the management of independent trustees. In accordance with the relevant ordinances and regulations of the MPF Scheme, the employer and its employees both are required to make contributions to the scheme at rate specified.

The Group contributed approximately RMB350.1 million to the abovementioned schemes for the year ended December 31, 2021.

Further information is provided in Note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules throughout the year ended December 31, 2021 and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2021 have been audited by Messrs. Deloitte Touche Tohmatsu, certified public accountants, who will retire and, being eligible, offer themselves for re-appointment as independent auditor of the Company at the 2022 AGM.

On behalf of the Board

Wu, Pan-Tsu
Chairman
Hong Kong
March 15, 2022

The board of directors (the "Board") of Pou Sheng International (Holdings) Limited (the "Company" and together with its subsidiaries, the "Group") and the management of the Company recognise the importance of maintaining good corporate governance practices and procedures, hence corporate transparency and accountability can be practised. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and thereby enhancing the value of shareholders of the Company (the "Shareholders"). The Board is committed to achieving a high standard of corporate governance and to leading the Group to grow in an efficient manner directed by the Group's vision and mission.

CORPORATE GOVERNANCE PRACTICES

During the year ended December 31, 2021, the Company has applied the principles of, and has complied with all code provisions contained in, the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively).

BOARD OF DIRECTORS

The Board

The Company is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive directors of the Company (the "Directors") so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Currently, the Board comprises the following eight Directors:

Executive Directors (the "ED(s)")
Mr. Wu, Pan-Tsu (Chairman)
Mr. Lee, Shao-Wu (Chief Executive Officer)
Mr. Liao, Yuang-Whang (Chief Financial Officer)*

Non-executive Directors (the "NED(s)")
Ms. Tsai Patty, Pei Chun
Mr. Li I-nan

Independent Non-executive Directors (the "INED(s)")
Mr. Chen, Huan-Chung
Mr. Hsieh, Wuei-Jung
Mr. Feng Lei Ming

* Mr. Liao, Yuang-Whang was appointed as an executive Director with effect from June 1, 2021.

BOARD OF DIRECTORS (Continued)

The Board (Continued)

The biographical data of the Directors are set out in "Biographical Data of Directors and Senior Management" section on pages 25 to 28. Save as disclosed in that section, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Group's operation and financial performance, and performing the corporate governance duties.

The management is delegated with the authority and responsibility for the day-to-day operations of the Group under the leadership and supervision of the Chief Executive Officer (the "CEO"). The CEO, working with the management team, is responsible for overseeing and managing the businesses of the Group, including the implementation of policies and strategies delegated and adopted by the Board and assuming full accountability to the Board for the operations of the Group.

Board meetings are scheduled to be held at approximately quarterly intervals and as required by business needs to discuss and review the overall strategy as well as the operation and financial performance of the Group and other duties of the Board. Six Board meetings and a Shareholders' meeting were held during the year. The chairman of the Company (the "Chairman") also during the year held a meeting with the INEDs without the presence of other Directors. The attendance record of Directors is set out in the table herein. The annual meetings schedule is made available to Directors in advance so that the Directors are given the opportunity to arrange their schedules to attend the meetings. For regular board meetings, notice of at least 14 days is given to all Directors to ensure that all Directors are given an opportunity to attend and to include matters for discussion in the agenda. Agenda and Board papers are normally sent to all Directors at least 3 days before each regular Board meeting to enable them to make informed decisions with adequate data. All Directors have full access to information of the Group and are able to obtain independent professional advice in performing their duties at the expense of the Company in appropriate circumstances or upon their request.

Minutes of all Board and committees meetings are kept by the company secretary of the Company (the "Company Secretary"). Draft minutes are circulated to all Directors or committee members for review and comment in a timely manner and final version for their records. Minutes are recorded in sufficient detail of the matters considered by the Board and decisions reached. The final versions of minutes/resolutions of the Board and the committees are available for inspection by Directors. Any matters which are material and/or substantial Shareholder(s) or Directors and their close associates (as defined in the Listing Rules) with a material interest in or may cause potential conflicts of interests are discussed at physical Board meetings (instead of by circulating written resolutions of Directors) and relevant Directors will abstain from voting on the resolutions approving such transactions and are not counted in the quorum of the meetings.

BOARD OF DIRECTORS (Continued)

The Board (Continued)

The table below sets out the number of meetings of the Board and its committees, individual attendance by the Board and committee members at these meetings and the general meeting during the year:

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Disclosure Committee Meeting[2]	Chairman and INEDs Meeting	General Meeting
	Number of meeting(s) attended/held						
Executive Directors							
Wu, Pan-Tsu	6/6	N/A	2/2	N/A	Nil[2]	1/1	1/1
Lee, Shao-Wu	6/6	N/A	N/A	N/A	Nil[2]	N/A	1/1
Liao, Yuang-Whang[1]	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Directors							
Tsai Patty, Pei Chun	6/6	4/4	N/A	N/A	N/A	N/A	1/1
Li I-nan	6/6	N/A	N/A	4/4	N/A	N/A	1/1
Independent Non-executive Directors							
Chen, Huan-Chung	6/6	4/4	2/2	4/4	N/A	1/1	1/1
Hsieh, Wuei-Jung	6/6	N/A	N/A	4/4	N/A	1/1	1/1
Feng Lei Ming	6/6	4/4	2/2	N/A	N/A	1/1	1/1

notes:

1 Mr. Liao, Yuang-Whang was appointed as an executive Director with effect from June 1, 2021.

2 According to the terms of reference of the disclosure committee of the Company (the "Disclosure Committee"), the Disclosure Committee shall meet as and when circumstances require, and can discuss and deal with matters by electronic mail or telephone conference instead of convening meetings. No Disclosure Committee meeting was held during the year ended December 31, 2021 as the committee members performed their duties and functions via electronic mail and/or telephone conversation instead of convening meetings.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Wu, Pan-Tsu and the CEO is Mr. Lee, Shao-Wu.

Save as disclosed below, the roles and responsibilities of the Chairman and the CEO are separate during the year and set out in writing in the Statement of Policy on Corporate Governance of the Company (the "Statement of Policy on Corporate Governance"). The Chairman is responsible for the leadership, governance to and effective running of the Board. The CEO is responsible for overseeing the overall strategy, planning and leading the management in the day-to-day operations of the Group.

Non-executive Directors and Independent Non-executive Directors

All NEDs (including INEDs) are appointed for a specific term of three years. All Directors including INEDs are subject to retirement by rotation and re-election at least once every three years in accordance with the provisions of the Listing Rules and the bye-laws of the Company (the "Bye-laws").

At all times during the year ended December 31, 2021, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three INEDs, representing at least one-third of the Board and with at least one of them possessing appropriate professional accounting and financial management expertise.

The Company has received from each of the INEDs, namely Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Feng Lei Ming, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Although Mr. Chen, Huan-Chung has been serving the Company as an INED for over 9 years, he remained capable of providing independent, constructive and objective views on the Company's affairs and bringing fresh perspectives to the Board during his tenure of office over the years. The Board, through the assessment and recommendation by the Nomination Committee, was satisfied that he has the required character, integrity, knowledge and experience to continue fulfilling the role of an INED and was of the view that his long service on the Board would not affect his exercise of independent judgement and view in relation the Company's affairs. The Company considers that all INEDs are independent in accordance with the independence guidelines as set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

The appointment of a new Director is made on the recommendation of the nomination committee of the Company (the "Nomination Committee") and by approval of the Board or by the Shareholders in a general meeting.

In assessing potential candidates for the Board, the Nomination Committee considers gender, age, cultural background, qualifications (including professional qualifications, skills, knowledge and experience), reputation for integrity, independence, professional and educational background, potential time commitment for the Board and/or Board committee responsibilities, potential contributions to the Group, Director succession plan of the Group (the "Director Succession Plan") and Board diversity policy of the Group (the "Board Diversity Policy") and any measureable objectives for achieving diversity on the Board. The recommendations of the Nomination Committee are then put to the full Board for decision. All newly appointed Directors are subject to re-election by the Shareholders at the first general meeting following their appointments.

Besides that, at least one-third of Directors shall retire from office every year at the Company's annual general meeting. All Directors are subject to retirement by rotation at least once every three years and re-election in accordance with the provisions of the Listing Rules and the Bye-laws. The key terms and conditions of the Directors' appointments are set out in their respective letter of appointment and/or service contract.

Directors' Induction and Training

Each newly appointed Director is provided with a tailored induction to ensure that he or she has a proper understanding of the operations and business of the Group and is fully aware of his or her responsibilities under applicable legal requirements and the business and corporate governance policies of the Group.

The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Pursuant to Code Provision A.6.5 of the CG Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company organised a talk relating to the business ethics for the roles of company directors and senior management in corporate governance by Independent Commission Against Corruption, Hong Kong Special Administrative Region for the Directors.

BOARD OF DIRECTORS (Continued)

Directors' Induction and Training (Continued)

According to the records provided by the Directors, the Directors had participated in the following trainings during the year:

Name of Directors	Attending briefings/ seminars/ conferences/forums
Executive Directors	
Wu, Pan-Tsu	✓
Lee, Shao-Wu	✓
Liao, Yuang-Whang*	✓
Non-executive Directors	
Tsai Patty, Pei Chun	✓
Li I-nan	✓
Independent Non-executive Directors	
Chen, Huan-Chung	✓
Hsieh, Wuei-Jung	✓
Feng Lei Ming	✓

* Mr. Liao, Yuang-Whang was appointed as an executive Director with effect from June 1, 2021.

BOARD COMMITTEES

The Board has established the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the Nomination Committee and the Disclosure Committee (collectively the "Board Committees") to oversee various aspects of the Group's affairs.

Audit Committee

The Audit Committee has been in place since May 2008 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of one NED and two INEDs: Mr. Chen, Huan-Chung (Chairman), Ms. Tsai Patty, Pei Chun and Mr. Feng Lei Ming. Mr. Chen, Huan-Chung is an INED possessing the appropriate professional accounting and financial management expertise as required under the Listing Rules.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The primary functions of the Audit Committee are, inter alia, to assist the Board in fulfilling its responsibilities, to maintain appropriate relationship with external auditors, to review the Group's financial control, risk management and internal control, to review the annual and interim reports and other financial information provided by the Company to its Shareholders, the public and others, and to deal with other matters within the scope of its terms of reference.

The Audit Committee is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

The following is the summary of work performed by the Audit Committee during the year:

- reviewed and recommended the quarterly results, and interim and annual reports of the Group to the Board for approval;

- reviewed and discussed the various audit issues as reported by the external auditor;

- recommended the re-election of the external auditor;

- reviewed the internal control or internal audit issues as reported by the Company's internal audit department (the "Internal Audit Department") covering the investigation findings and recommendations;

- reviewed the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems;

- reviewed the ongoing connected transactions of the Group;

- reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and

- reviewed the audit and non-audit services provided by the external auditor.

The Audit Committee held four meetings during the year. The attendance record of the members of the Audit Committee meetings is set out in the table under "Board of Directors" section.

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee has been in place since May 2008 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently consists of one NED and two INEDs: Mr. Hsieh, Wuei-Jung (Chairman), Mr. Chen, Huan-Chung and Mr. Li I-nan.

The primary functions of the Remuneration Committee include making recommendations to the Board on remuneration policy, structure and packages of the Directors and senior management of the Group (the "Senior Management") and other related matters. A Remuneration Policy of the Group for the Directors and the Senior Management (the "Remuneration Policy") has been established. In recommendation of the remuneration package of Directors, the Remuneration Committee considers the qualifications and experience of each Director and also remuneration policies of other comparable listed companies of similar business and size, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration. The Remuneration Committee also ensures that the levels of remuneration should be sufficient to attract and retain the Directors to run the Company successfully but would avoid paying more than necessary for this purpose. No Directors or any of their respective associates are involved in determining their own remunerations.

The following is the summary of work performed by the Remuneration Committee during the year:

- reviewed and recommended the remuneration of Directors and Senior Management to the Board for approval;
- reviewed and recommended the remuneration packages, appointment letter and service agreements of two EDs and an INED to the Board for approval;
- evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of its terms of reference;
- recommended the grant, vest and cancellation of share awards of the Group to the Board for approval; and
- reviewed the status of the share options under the Share Option Scheme and the share awards under the Share Award Scheme.

The Remuneration Committee held four meetings during the year. The attendance record of the members of the Remuneration Committee meetings is set out in the table under "Board of Directors" section.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee has been in place since December 2011 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Nomination Committee currently consists of one ED and two INEDs: Mr. Wu, Pan-Tsu (Chairman), Mr. Chen, Huan-Chung and Mr. Feng Lei Ming.

The primary functions of the Nomination Committee are to assist the Board in identification of suitable individuals qualified to become Board members, review the structure, size, composition and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The following is the summary of work performed by the Nomination Committee during the year:

- recommended the appointment of an ED to the Board for approval;
- assessed the independence of INEDs;
- reviewed the retirement and nominated the re-election of retiring Directors at the 2021 AGM; and
- reviewed the structure, size, composition and diversity of the Board.

The Nomination Committee held two meetings during the year. The attendance record of the Nomination Committee meeting is set out in the table under "Board of Directors" section.

Board Diversity

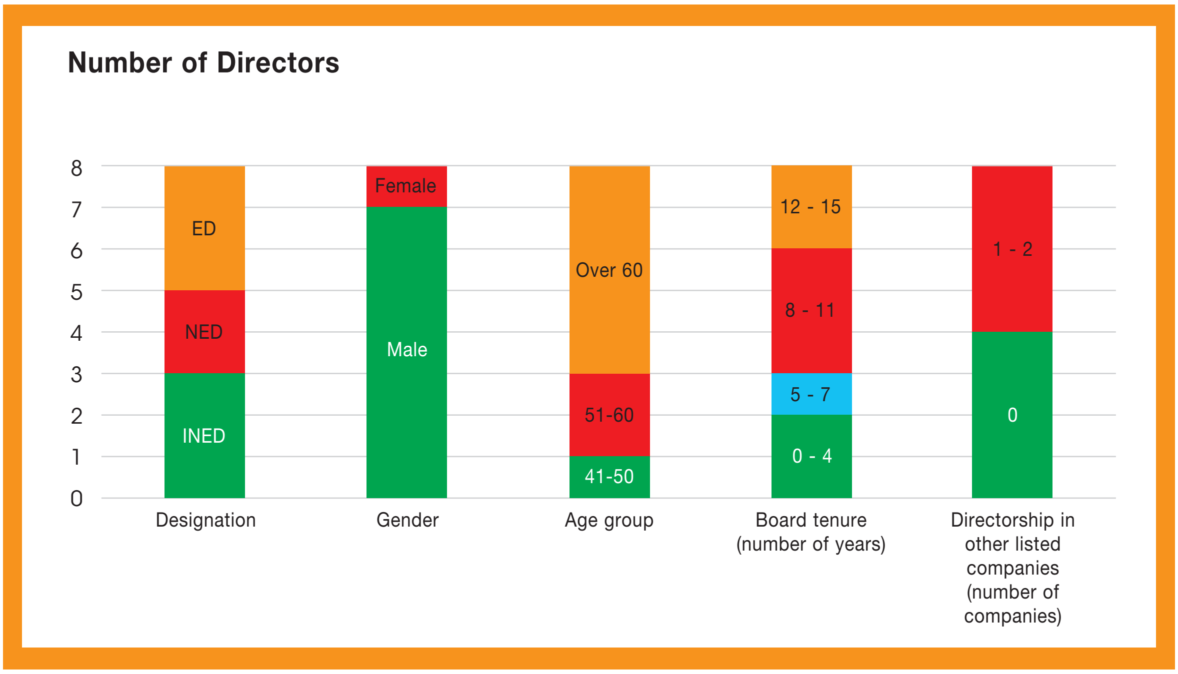
On August 13, 2013, the Board has adopted a Board Diversity Policy. The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All appointments of Directors will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The composition of the Board reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Group's strategy and business. The policy is available for viewing on the website of the Company.

The Nomination Committee is also responsible to review the Board Diversity Policy, the measurable objectives and monitor the implementation of the Board Diversity Policy.

BOARD COMMITTEES (Continued)

Board Diversity (Continued)

An analysis of the Board's current composition based on the measurable objectives is set out below:



Academic Background		Experience/Expertise	
Banking	13%	Sportswear Industry	50%
Business Administration	38%	Accounting Expertise	13%
Economics / Finance	25%	Equity Investment / Financial Services	100%
Others	75%		

BOARD COMMITTEES (Continued)

Nomination Policy

On November 13, 2018, the Board has adopted a Nomination Policy for Directors (the "Nomination Policy"). The key objectives of the Nomination Policy include, inter alia, the following:

(a) to guide the Board in relation to appointment/re-election of Directors; and

(b) to devise a policy on the size and composition of the Board in order to ensure the diversity and balance of the Board in terms of skills, experience, knowledge and diversity of perspectives are appropriate to the requirements of the Company's business.

The Nomination Policy shall be reviewed periodically to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

Director Succession Plan

The purpose of the Director Succession Plan is to ensure the orderly identification and selection of new directors in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. As provided in the terms of reference for Nomination Committee, the Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

Disclosure Committee

The Disclosure Committee has been in place since March 2019 with specific written terms of reference, which are available for viewing on the websites of the Stock Exchange and the Company.

The Disclosure Committee currently consists of two EDs: Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu.

The primary functions of the Disclosure Committee are to assist the Board in considering matters associated with compliance with the Company's continuous disclosure obligations and inside information provisions under the Securities and Futures Ordinance (the "SFO").

The Disclosure Committee shall meet from time to time as and when circumstances require. In the ordinary course, the Disclosure Committee may discuss and deal with matters by way of communication through electronic mail and/or telephone conference. During the year, no Disclosure Committee meeting was held as the committee members performed their duties and functions via electronic mail and/or telephone conversation instead of convening meetings.

CORPORATE GOVERNANCE FUNCTION

The Board has adopted a Statement of Policy on Corporate Governance and is collectively responsible for performing the corporate governance duties, including those set out in the Code Provision D.3.1 of Appendix 14 to the Listing Rules:

(a) to develop, review and implement the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and Senior Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the Shareholders' Communication Policy to ensure its effectiveness.

The Board has reviewed and/or performed the abovementioned corporate governance function during the year and up to the date of this annual report.

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended December 31, 2021, the remuneration paid or to be payable to Messrs. Deloitte Touche Tohmatsu ("Deloitte"), the Company's external auditor, and its affiliate in respect of audit services rendered is approximately RMB4,124,000 (2020: approximately RMB4,139,000) and in respect of non-audit services rendered is approximately RMB1,683,000 (2020: approximately RMB1,025,000). The non-audit services include review of interim financial statements, professional services rendered in connection with tax filing in Hong Kong, other tax consultancy and acquisition of a subsidiary, and advisory on environmental, social and governance reporting requirements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities with respect to the financial statements of the Group and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group in a timely manner.

A statement made by the external auditor of the Company, Deloitte with regard to their responsibilities for the audit of the Group's consolidated financial statements is set out in the Independent Auditor's Report on pages 102 to 107.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended December 31, 2021.

The Company has also established and adopted internal guidelines for securities transactions by relevant employees (the "Employees Guidelines") which are on no less exacting terms than the Model Code. Specified employees who are likely to be in possession of unpublished inside information related to the Company and its securities must comply with the Employees Guidelines.

DIVIDEND POLICY

The Company has adopted a Dividend Policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the profit of the Company shall be enough for both self-development and returns to the Shareholders.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall take into account, inter alia, the Company's current and future operations and earnings, business development strategies, financial position, capital requirements and surplus, contractual restrictions, payments by subsidiaries of cash dividends to the Company, the amount of distributable profits based on the Bye-laws, the applicable laws and regulations, the Shareholders' request and intention, and other factors that the Board deems relevant.

Subject to the foregoing, the Company shall distribute as dividends approximately 20% to 30% of the net profits available for distribution in each financial year.

COMPANY SECRETARY

Mr. Fan Kam Wing, the Company Secretary, who is also the Financial Controller of the Group, confirmed that he has complied with all the required qualifications, experience and training requirements as specified under the Listing Rules during the year under review.

SHAREHOLDERS' RIGHTS

1. Procedures by which Shareholders may convene a special general meeting

1.1 Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company as at the date of the deposit of the requisition are entitled to require the Board to convene a special general meeting by depositing a requisition at the registered office of the Company for the attention of the Board or the Company Secretary.

1.2 The requisition must specify the purposes of the meeting, signed by the requisitionists and may consist of several documents in like form each signed by one or more of those requisitionists.

1.3 The signatures and the requisition will be verified by the Company's share registrar. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within 21 days from the date of deposit of such requisition if it has been validly raised.

1.4 If the Board does not within 21 days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary, whose contact details are as follows:

The Company Secretary
Pou Sheng International (Holdings) Limited
22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

Tel. No.: +852 3182 5800
Fax No.: +852 3182 5808

SHAREHOLDERS' RIGHTS (Continued)

3. Procedures for putting forward proposals at Shareholders' meeting

3.1 In general, subject to paragraph 3.2 below, no resolution may be proposed at a Shareholders' meeting (whether it is a special general meeting or an annual general meeting) if such resolution is not included in the notice convening the general meeting. However, if the proposal is to amend an existing ordinary resolution set out in the notice convening the general meeting and such amendment is within the scope of the notice, such amendment may be made if approved by the Shareholders by ordinary resolution.

3.2 On the requisition in writing of either (i) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates, or (ii) not less than 100 Shareholders, the Company shall be under a duty to:

(a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or

(b) circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

3.3 Notice of any such intended resolution under paragraph 3.2 shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholders by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company.

3.4 The requisition under paragraph 3.2 must be signed by the requisitionists and deposited at the registered office of the Company (i) in the case of a requisition requiring notice of a resolution, not less than 6 weeks before the meeting; and (ii) in the case of any other requisition, not less than 1 week before the meeting.

INVESTOR RELATIONS AND COMMUNICATION

The Company endeavors to maintain good relationship with the Shareholders and potential investors. To ensure effective ongoing dialogue with the Shareholders, the Board has adopted the Shareholders Communication Policy on March 5, 2012, which was subsequently amended on March 22, 2019 and is regularly reviewed to ensure its effectiveness.

Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of communication channels including interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available for viewing on the Company's website.

Shareholders are encouraged to attend the Company's general meetings, at which the Chairman of the Board, the chairmen of the Board Committees (or in their absence, another member of the Board Committees), appropriate management executives and/or external auditors are available to answer the Shareholders' questions.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

The Board has the overall responsibility to evaluate and determine the nature and extent of risks the Group is willing to take in achieving the Group's objectives. It is also responsible for the introduction and the on-going maintenance and review of appropriate and effective risk management and internal control systems of the Group. The Board has delegated to the management with defined structure and scope of authority, to conduct reviews on and maintenance of all material controls to ensure compliance with relevant legislations and regulations.

The Company has established its own Internal Audit Department which is independent of the Company's management in assessing and monitoring the control on the risk management and internal control systems of the Company. On quarterly basis, Head of Internal Audit reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses to the Audit Committee. If the Internal Audit Department suspects the weakness will materially affect the Group, they will report to the Audit Committee when necessary on a timely basis. Regular follow up actions will be carried out until condition is improved.

The Board has entrusted the Audit Committee with the responsibility to review the financial controls, risk management and internal control systems of the Group. The Audit Committee, on behalf of the Board, reviews the Internal Audit Department's work and findings through internal audit reports on a quarterly basis. It reports to the Board especially on any material matters including but not limited to financial, operational and compliance controls that have arisen from the Audit Committee's review on the risk management and internal control processes on a quarterly basis. The Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems, including changes in the nature and severity of principal risks for the year, the Group's ability to cope with external environmental changes, the ability to monitor the scope and quality of the risk management and internal control systems, internal audit work, the major weaknesses detected and their related impacts, the Group's financial reports and compliance with the relevant regulations, etc.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Risk Management Framework

The Company has put in place the policy and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risks. The procedures are designed to identify, evaluate, manage and minimise risks that could adversely impact the achievement of the Group's business objectives but do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

The Group's risk management and internal control systems are characterised by a clear governance structure, policy procedures and reporting mechanism to facilitate the management of the Group's business risks.

Responsible Unit	Function
Board	• Has overall responsibility for the Group's risk management system • Formulate final decision, guidance and instruction on the risk management system and its mitigation
Audit Committee	• Oversee the implementation of the control on risk management • Report the results of risk management to the Board
Internal Audit Department	• Co-ordinate the operation of risk management mechanism • Conduct independent review on the mechanism • Oversee the control and follow up of the risk and report the result to the Audit Committee
Internal risk management committee	• Establish and continuously modify the risk management system • Execute identification and estimation of risks • Manage, monitor and control risks • Report on risk management
Risk management unit	• Implement risk management system • Co-ordinate and assist the internal risk management committee • Implement mitigation of risks • Arrange training for and introduce risk management
Functional and operation unit	• Facilitate communication between risk management unit and departments • Guide, structure and co-ordinate risk management work • Identify risks, assess and review mitigation, and investigate risk management work and its improvement

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Process

The Group's methodology for its risk assessment comprises four core stages:

(a) Risk Identification
Department/functional heads identify risks in the operations they are responsible for as well as risks they believe are relevant to the Group as a whole. All the identified risks are consolidated into a risk inventory.

(b) Risk Assessment
Risks in the risk inventory are evaluated by assessment participants from the Group using predefined risk assessment criteria associated with two risk dimensions – (i) impact of each risk; and (ii) the Group's vulnerability to each risk. The risk scoring and prioritisation process is then performed.

(c) Risk Response
The prioritised risk ranking is then submitted to the internal risk management committee for review. Risk owners are assigned for each selected risk, with more significant risks being assigned to more senior individuals. Risk owners also formulate risk mitigation plans for the significant risks identified and relating to their areas of responsibility.

(d) Risk Monitoring and Reporting
Risk monitoring and reporting are key components of the enterprise risk management system as they enable the Board, the Audit Committee, the internal risk management committee and department/functional heads to determine whether the system is functioning effectively. This includes ensuring that risks are identified, prioritised and communicated to those responsible for taking actions to address them, and that such actions have been taken and are being operated effectively.

Risk owners are responsible for monitoring the implementation and effectiveness of risk mitigation plans. They provide periodic updates to the internal risk management committee regarding the progress of the implementation of their risk mitigation plans and on the performance of these plans, according to the frequency specified in each plan. Risk management monitoring activities and the effectiveness of the implementation of risk mitigation plans are made subject to review by the Internal Audit Department and are included in its internal audit plans.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

Control Effectiveness

In respect of the year ended December 31, 2021, after reviewing the effectiveness of the risk management and internal control systems as reported by the Audit Committee, the Board considers the risk management and internal control systems to be effective and adequate.

Inside Information

The Company has adopted an Inside Information Policy in compliance with the SFO under which procedures are established for handling and disseminating inside information and to guard against possible mishandling of inside information within the Group.

The Board has delegated to its Disclosure Committee the authority to consider matters associated with compliance with the Company's continuous disclosure obligations. The Disclosure Committee members review the materiality of the relevant information and assess any possible impact on the Group in order to determine the appropriate course of actions and, if considered appropriate, a Board meeting may be convened to consider and decide whether or not the information constitutes inside information and disclosure shall be made immediately. The Board may seek independent professional advice, if and when appropriate, to ensure that the Company can timely comply with the disclosure requirements.

Upholding the core values of "professionalism, dedication, innovation and service", Pou Sheng International (Holdings) Limited (the "Company", and together with its subsidiaries, the "Group") strives to create value for its shareholders as well as to satisfy and balance the expectations of all stakeholders. At the same time, we also wish to integrate sports into the daily lives of the general public. The Group will become a sustainable and joyful enterprise, through creating unique channels full of quality sports services and products, which will make it convenient and fun for people to enjoy sports everyday and inspire people to develop a persistent passion for sports, thereby promoting quality living and healthy lives.

ESG REPORTING FRAMEWORK

To inform all stakeholders about the environmental, social and governance (the "ESG") policies, measures and performance of the Group, we have prepared this ESG report (the "Report") pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from January 1, 2022 and have complied with the four reporting principles, namely "materiality", "quantitative", "balance" and "consistency".

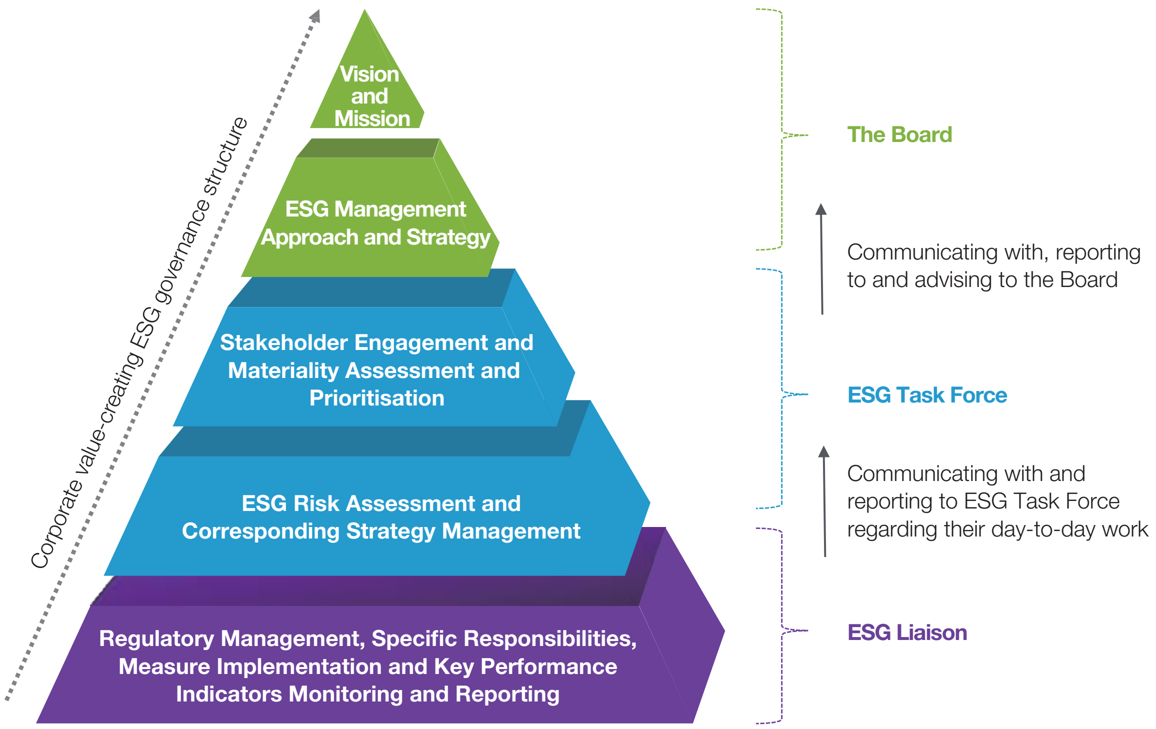
Reporting principles	
Materiality	The ESG working task force prioritised the key issues of concern to stakeholders by analysing their environmental, social and business operational impacts through stakeholder surveys, the results of which were reviewed by the board of directors of the Company (the "Board") at meetings.
Quantitative	The Group established internal guidelines with reference to the guidelines of the Stock Exchange, industry practices and laws and regulations, collected relevant data and information in relation to environmental and social performance indicators from business units, and maintained relevant supporting documents, which were submitted to the Board for review after verification by the ESG liaison and the ESG working task force. For the calculation criteria, methodologies and assumptions (if applicable) in the calculation of data relating to the performance indicators, please refer to relevant sections of the Report. Since the data relating to the performance indicators in this Report are rounded, the total number of percentages of individual data may not be equal to 100%.
Balance	All the data and information of the Group are disclosed in an objective manner, so that stakeholders are able to make an impartial and justifiable assessment of the overall ESG performance.
Consistency	The ESG working task force took the initiative to review the previous methodology for counting the number of sports cities and the methodology for the calculation of percentage of employee trained and average training hours per employee and has made adjustments to the relevant environmental data and employee training data for 2020. We disclosed relevant adjusted historical data in this Report to ensure that relevant data has followed a consistent statistical method, and used the same statistical and conversion approach, in order to allow stakeholders to make meaningful assessments.

SCOPE OF ESG REPORTING

This Report covers the retail of sportswear and footwear products, distribution of licensed products and sports services businesses of the Group for the period commenced from January 1, 2021 and ended on December 31, 2021 ("the Reporting Period"), including the performance and specific practices of offices, directly operated stores, sports cities and department store counters in regions where the Group mainly operates to fulfil its environmental and social responsibilities, while joint ventures are excluded. When determining the scope of the Report, the Group takes into account the factors such as the level of impact of the ESG risks on the business, its vulnerability and the resources allocated in controlling the ESG risks. The scope of the Report is prepared by the ESG working task force and then submitted to the Board for review.

ESG GOVERNANCE STRUCTURE

To realise its aspirations in ESG, the Group is committed to strengthen our ESG governance structure by integrating our commitment to the environment and society into our day-to-day decision making, corporate culture and future planning, etc. to ensure that the Group is able to create a positive impact to the industry as a whole and supply chain members.



ESG GOVERNANCE STRUCTURE (Continued)

The functions of the Board, the ESG working task force and ESG liaison are described as follows:

The Board

The Board takes a leadership role in setting the ESG governance direction as well as in developing an effective and measurable vision for the ESG strategies. In addition, the Board will meet regularly when necessary to resolve ESG-related issues, including but not limited to:

- determine future ESG objectives;
- review and monitor the implementation and results of the ESG governance strategies regularly and make appropriate adjustments based on the Group's performance and external environment; and
- review ESG-related policies and reports.

The Board also attaches importance to ESG risk management and internal control measures, and delegates authority to the management to conduct ESG monitoring. The Board should lead the management to continuously improve ESG risk management across business units and retail stores, and provide guidance on the identification, assessment and management of material risks so as to enhance the Group's overall risk prediction level and responsiveness. The Group is particularly concerned with the internal control mechanism that is closely related to our daily operations. Therefore, the Board has delegated the responsibility to the Audit Committee to monitor the adequacy and effectiveness of the internal control system of the Group, and identify the weaknesses of internal control and propose remedial measures.

ESG working task force

The ESG working task force (the "ESG Task Force") was established under the leadership of the Board. It is primarily responsible for is comprised of the implementation of the Group's ESG strategies. Members of the ESG Task Force are officers at managerial level or above from different functional departments to ensure the effective performance of its functions.

To ensure the Group is able to receive the opinions of different stakeholders on the importance of sustainability development issues, the ESG Task Force communicates closely with stakeholders, actively collects their views and feedback, and identifies and responds to ESG key issues in a timely manner. The ESG Task Force is required to conduct a series of ESG risk assessments under the governance principles formulated by the Board. Following the identification and assessment, the ESG Task Force will develop an implementation strategy based on the Group's own visions and missions and make recommendations to the Board on relevant issues, striving to create positive corporate social values for stakeholders and consumers.

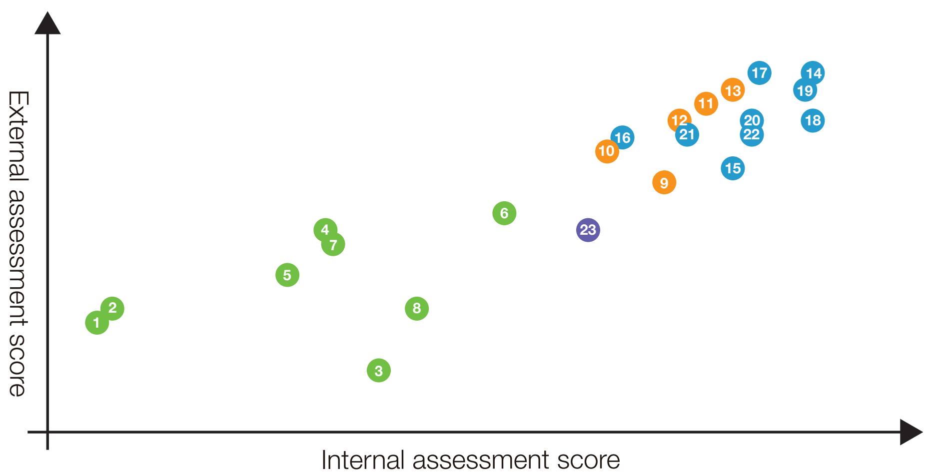
ESG liaison

To manage ESG risks in the Group's business operations in a more systematic manner, the Group also has an ESG liaison who is responsible for the proper implementation of ESG management regulations. The ESG liaison is responsible for formulating ESG-related management regulations for each department, setting specific ESG responsibilities and initiatives at the departmental level, overseeing and guiding the cultivation and activities of ESG culture between departments, and setting measurement standards for ESG performance and key performance indicators, etc. The ESG liaison reports regularly to the ESG Task Force on the implementation of ESG governance initiatives.

STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT

The Group identifies key stakeholder groups and material issues concerned through a consolidated view of the ESG Guide, the industry's characteristics and its own development aspects, and understands the stakeholders' views by means of exchanges and questionnaires through various communication channels. In order to respond to the expectations of all stakeholders in the business operation and sustainability aspects, we also assesses, analyses and prioritises the importance that the stakeholders attach to such issues, prepares a materiality matrix and establishes a reporting framework for the Report. Key stakeholder groups include shareholders and investors, employees, brand partners and suppliers, media, consumers, as well as government and regulatory authorities.

The Group believes that effective ESG management is an important part of the Group's sustainable development in economic, social and environmental aspects, which will help the Group improve its current performance and provide adjustment development strategies for various policies and measures. The results of materiality assessment for the year are as follows:



Scope	No.	ESG Issues
Environmental	1	Air pollutant emissions from business operations
	2	Greenhouse gas/carbon emissions from business operations
	3	Non-hazardous waste treatment (such as domestic waste and renovation waste)
	4	Energy consumption
	5	Water consumption
	6	Use of packaging materials
	7	Environmental impact management
	8	Adaptation to climate change (such as responses to and management of extreme weather)

STAKEHOLDER COMMUNICATION AND MATERIALITY ASSESSMENT (Continued)

Scope	No.	ESG Issues
Employment and Labour	9	Employee remuneration and benefits
	10	Diversity and equal opportunity
	11	Occupational health and safety
	12	Employee development and training
	13	Prevention of child labour or forced labour
Operation	14	Compliant operation
	15	Supply chain management
	16	Environment-friendly products procurement
	17	Product and service safety and quality
	18	Customer service
	19	Information privacy
	20	Intellectual property rights
	21	Marketing and Promotion
	22	Anti-bribery and anti-corruption
Community	23	Community charity

OPERATION

Information privacy

Brand vendor

The Group ensures strict compliance with the laws in maintaining high level of security and privacy protection of all brand information (such as Contract Law of the People's Republic of China). We attach great importance to the privacy of such information, which includes all intellectual property rights and confidential information related to the brand, such as design layouts, information of the brand vendor, trademark information, development and production information, operation manual and inspection results, as well as confidential information of any form with implied property interests or economic value. We are dedicated to safeguarding and protecting such information. We also require suppliers and other partners who are working with us to execute relevant agreements for brand privacy protection. In addition, appropriate security system and measures are in place to prevent unauthorised use of such information. Once any suppliers or employees are found to be responsible for any leakage of information, we will strictly enforce the relevant provisions under the signed agreements or our internal regulations for reward and punishment.

OPERATION (Continued)

Information privacy (Continued)

Consumer

We deeply believe that protecting the personal information of consumers is the key to establish a mutual trust relationship with consumers. The Group holds a vast group of members and their personal information. Therefore, safeguarding the privacy of our members is one of our most concerned issues. The information technology department of the Group has been adopting the comprehensive data security system and implementing standardised information security management in compliance with relevant national laws and regulations, regulatory requirements of the industry as well as relevant confidentiality provisions of the Company, ensuring that the data collected by us is well-protected and the privacy of our customers is respected and secured.

As to the promotional and advertising messages of the Group, no commercial messages will be sent to our members without their consent or upon their refusal. The privacy information of our members is kept in strict confidence by the Group, and will not be disclosed, transferred, rented/sold to third parties without the consent of the members or otherwise prescribed by laws.

During the Reporting Period, the Group found no significant violation of laws and regulations regarding product responsibility (such as Criminal Law of the People's Republic of China, Network Security Law of the People's Republic of China and Tort Law of the People's Republic of China).

Customer service

We adopt a business model centring on customers' needs and aspirations so as to provide products with the highest quality that satisfies their requirements. In pursuing the ultimate goal of providing the best services, the Group carries out inspection in line with its commitment. The Group operates 400 customer service hotlines, through which customers can make various information and product enquiries and complaints. During the Reporting Period, 305 (2020: 385)[1] complaints were received, the majority of which were mainly related to the matters of repair as well as return and exchange of products. 99.95% of complaints received were handled properly and no complaint cases had to be referred to relevant government authorities. The only 1 complaint that has not been settled is due to a customer placing an order for a limited edition item, which exceeded the delivery limit of the region. The Group will endeavour to negotiate with the customer on commercial terms and make every effort to reach an agreement.

1 The number of complaints represents the total number of complaints made by customers through the hotlines. 46,544 calls were received by the hotlines in 2021, including 187 service attitude related complaints (of which 1 was unresolved), 101 limited-edition products related complaints (belonging to store business complaints) and 17 invoices replacements related complaints, for a total of 305 complaints. 55,127 calls were received by the hotlines in 2020, of which 220 complaints were related to store business and 165 complaints were related to service attitude of the in-store staff, for a total of 385 complaints. With the launch of the online customer service software (Udesk) in mid-August 2020, certain member customers opted to resolve their concerns through the app in Udesk. Therefore, the total number of complaints in 2021 decreased by 20% when compared to that of 2020.

OPERATION (Continued)

Product and service safety and quality

To provide better product warranty to our customers, the Group strictly controls the safety and quality of our products to ensure that they meet the requirements. The Group's products and services do not involve any form of unfair commercial practices. We are committed to provide high-quality products as well as all-rounded consumer experience and services to diverse consumers in the sports-inspired and lifestyle industry. To safeguard consumers' health and safety, the Group upholds its commitment to quality assurance and offers excellent and qualified products. As such, in order to become a sustainable and joyful enterprise, we are committed to protecting the environment and green living and carefully selecting the products and services we offer to improve people's quality living and healthy lives. Our procurement and service procedures also ensure the transparency of information and safety of products and services. In addition, we have formulated a customer rights policy and made it publicly available, which is also implemented in our operation, to prevent products or services from compromising consumers' rights, health and safety.

The Group is in strict compliance with regulations and international standards relating to its products and services (such as Advertising Law of the People's Republic of China, Product Quality Law of the People's Republic of China and Law of the People's Republic of China on the Protection of Consumer Rights and Interests). Besides, it prohibits fraudulent, misleading, deceptive or any other behaviours that may undermine customers' confidence and their rights and interests. For products with defective quality, the Group will follow the relevant return and exchange process in accordance with internal guidelines and brand-related regulations to protect the interests of all customers from being compromised. During the Reporting Period, the Group has not received any complaints from regulatory authorities or consumers regarding product safety, nor has any product been recalled for product safety and health reasons.

Intellectual property rights and marketing and promotion

The Group ensures strict compliance with laws such as Law of the People's Republic of China on the Protection of Intellectual Property Rights and Trademark Law of the People's Republic of China in standardising the management of the acquisition, confidentiality and filing of intellectual property rights. Regarding the labels and advertisement messages of our products, we make sure that they truly reflect their features, quality standards and authenticity. Besides, we have made our customer rights policy publicly available, and implemented it in our operation, to prevent our products or services from compromising consumers' rights. At the same time, a review mechanism is also established. Apart from reviewing the compliance of individual cases, we will also remind our business units to obtain authorisations such as copyright and trademark before preparing any advertisements and promotional materials, and to comply with relevant agreements when using them to avoid infringement. In addition, the Group will also have a dedicated department for trademark registration applications, regularly update and track the progress of cases, and maintain the validity of existing trademarks. In terms of the infringement of the Group's trademark or copyright, we will take legal proceedings against the infringer to safeguard the Company's rights and interests and protect the intellectual property rights of the Group from infringement. During the Reporting Period, the Group found no significant violation of laws and regulations regarding intellectual property.

OPERATION (Continued)

Anti-bribery and anti-corruption

"Dedication" is one of the Group's core values. We define "honesty and integrity" as the commitment to follow the rules and regulations of the Group, dedication to do the right things, zero tolerance to corruption or any other misconduct that is against the Group's interest, and we resolutely combat all crimes of soliciting or accepting bribes and corruptions, etc.

We always endeavour to uphold the core value of integrity. The Group requires all employees to observe personal and professional conduct. Apart from maintaining strict compliance with the laws and regulations (such as Criminal Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China, Interim Provisions on Banning Commercial Bribery and Regulations of the People's Republic of China for Suppression of Corruption) to prevent bribery, extortion, fraud and money laundering, we also stipulate anti-bribery and anti-corruption policy and the relevant punishments in the employee handbook. We issue self-disciplinary requirements and set up relevant reporting channel and procedure, as well as reviewing the effectiveness of the internal management on a regular basis. These all help to ensure that the Group can uphold its professional morality, abide by its operation integrity and maintain stable development. We encourage our employees to be self-disciplined and self-introspective, willing to come forward to admit their mistakes when there is wrong-doing, and correct the mistakes timely; to tell right from wrong, and not to have favouritism and defend others shortcomings; to have occupational morality, literacy, and conduct that can stand all tests; to match words to deeds, keep promises and able to develop trustworthy relationships with others. To ensure and regulate our employees to be honest and self-disciplined in external business interactions and internal business management activities, the Group also issues regulation on the gift giving/receiving and require our employees to sign an "Employee Ethics Oath". Anti-corruption and business ethics was one of the topics in management training and the management adopts a zero tolerance attitude to any fraudulent business activity. In addition, the Group's contracts with third parties contain anti-corruption terms that require both parties to perform in good faith to prevent either party from obtaining improper benefits.

During the Reporting Period, the Group invited the Commissioner of the Hong Kong Independent Commission Against Corruption to conduct an hour-long anti-corruption seminar for all directors of the Company and certain staff on the risks of corruption and common corrupt conducts in order to raise our employee's awareness on anti-corruption. During the Reporting Period, the Group is generally in compliance with the relevant laws and regulations that have a significant impact on the Group, and no legal cases of corruption were found.

OPERATION (Continued)

Supply chain management and procurement of green products

Upholding the concept of mutual development, the Group cooperates closely with international and domestic leading brands and adopts stringent criteria in selecting suppliers. Suppliers have to maintain high standards in terms of quality control, service quality and environmental policies. We implement stringent ecological quality and safety standards from materials to manufacturing processes of suppliers.

The number of suppliers distributed by geographical region is as follows:

Region	Number
Taiwan	3
Mainland China	96

We implement an annual tender system, assess suppliers objectively based on their quality, price, delivery timeliness, environmental policies, status of compliance, overall capabilities and experience, and examine the qualification and social credit of all suppliers. We will not consider any suppliers with bad qualification and social credit. We incorporated the assessment process of social responsibility, and formulated the code of conduct for suppliers, which put forward the requirements on the environmental and social management and performance of suppliers, and strictly complied with the national environmental standards. For example, the overall strength and experience of suppliers' relevant standards regarding social risks management, environmental protection policies and the configuration of new energy vehicles are taken into consideration. We also prioritise consumables and construction materials that apply green technology and produce less or contain less toxic substances during disposal to minimise the impact on the environment at source. In addition to acceptance and quality inspection, we also conduct spot checks on relevant products every quarter to ensure the effectiveness of green products.

In the meantime, the Group insists on offering equal opportunities to all potential partners, participates actively in market competition and complies with Anti-Unfair Competition Law of the People's Republic of China to fulfil the various needs of different stakeholders, which allow us to achieve the goal of improving service quality while reducing costs, and rapidly responding to customers' needs by providing customers with more options. The Group will continue to provide high quality products and omni-channel consumer experience to diverse consumers centring on the concept of innovation and service offering, so as to establish its leading position as the best retailer in the sports-inspired and lifestyle industry in the PRC.

EMPLOYMENT AND LABOUR

Prevention of child labour or forced labour

All of our subsidiaries, stores and offices are in strict compliance with the local statutory requirements (such as Provisions on the Prohibition of Using Child Labour and Underage Workers Special Protection Provisions), and expressly prohibit any forced or child labour.

The Group complies with the local labour laws and ensures that all employees must attain the local minimum legal working age. Job applicants are required to present identification documents at interviews for us to verify their ages. The human resources department also carries out comprehensive recruitment screening procedures and conduct background checks to ensure the information provided by the applicants is accurate and correct. If an employee is found deliberately concealing the identification information after being employed, the related employee's employment will be terminated. If damages are caused to the Group, we will hold the individual responsible for any damages caused to the Group. On the contrary, if there is any violation due to work negligence by the human resources department, the relevant officers will be punished and warned, and will even be dismissed from office in serious cases. We will take into account the ability and willingness of employees in work arrangement and will not require employees to provide guarantees to employers. Forced labour is strictly prohibited.

Moreover, the Group will regularly review its business operation to check if any child or forced labour is employed. During the Reporting Period, the Group found no significant violation of laws and regulations regarding the prevention of child or forced labour.

Occupational health and safety

The Group recognises its employees as the most valuable assets, hence it is dedicated to provide a desirable and safe working environment by implementing appropriate measures, such as regular body checks and health counselling to ensure their health and safety. As to employees who need to work under unusual temperature conditions (for example, warehouse), the Group will provide subsidies and supports (offering cold drinks, warm clothes and reminding them to take rest) in strict compliance with relevant requirements. Dedicated electrical technicians and mechanics are assigned to each operation unit of the Group for periodic safety inspection and prompt rectification of potential safety risks, so as to prevent accidents and protect our employees. All of our operation units have passed fire inspection and we actively cooperate with the shopping malls in regular emergency drills and replacing relevant equipment. The administration department also formulates regulations governing safety and health, including regular safety inspection at offices and make improvements and recommendations when necessary. During the Reporting Period, we conducted a fire safety quiz and lucky draw on the "Pou Sheng Employee ExP Scheme" online platform to enhance the employees' knowledge on fire safety.

The statistics on work-related injuries of the Group are as follows:

	2021	2020	2019
Number of work-related fatalities	**0**	0	0
Lost days due to work-related injuries	**1,636**	572	890

EMPLOYMENT AND LABOUR (Continued)

Occupational health and safety (Continued)

The Group puts emphasis on employees' mental and physical well-being and encourages employees to achieve work-life balance. Therefore, we often organise outreach and team-building activities. The human resources department will also interview employees and check on their work and lives during regular store visits. During the Reporting Period, we arranged some of our employees in the Hong Kong office to participate the "Mental Well-being Workshop" under the "Joyful@Healthy Workplace" programme organised by the Department of Health, the Labour Department and the Occupational Safety & Health Council, where registered social workers from the Mental Health Association of Hong Kong explained the sources, symptoms and influence of stress, introduced stress-relief methods and provided tips to maintain balanced work-life.

The new normal under the COVID-19 pandemic

During the Reporting Period, in view of the normalisation of the COVID-19 pandemic, the Group fulfils its social responsibilities and has actively followed the preventive and control measures and guidelines issued by the governments of China and other countries to protect our employees' health, such as delaying the work resumption after Lunar New Year holiday in some areas, flexible working hours, work from home and advising staff to avoid gatherings. Meanwhile, we are actively taking precautionary measures in the workplace:

- Employees are required to perform body temperature measurements before going to work, wear face masks and wash their hands regularly during working hours;
- Employees are required to report their general health and the status of their close contacts daily by completing "Daily Self-Management Health Journal";
- The public areas of the offices and stores are regularly disinfected everyday and hand sanitisers and face masks are provided to staff;
- Closely monitor the information from the Center for Disease Control and Prevention on a daily basis; and
- Employees who have travelled to and from areas with serious pandemic outbreaks will not be allowed to return to workplace unless they have been quarantined for 14 days starting from the day of returning to the city where they work or have been tested negative for COVID-19.

In line with our belief that our employees are valuable assets, the health of all employees and their families is our first priority when planning work arrangements during the pandemic, and employees are reminded to follow the guidelines on pandemic prevention and put their own health in the first place. For employees who are unfortunately infected by the COVID-19, the Group will arrange flexible leave and provide medical subsidies and condolence money as appropriate to help them and their families tide over the difficult period.

In addition, the heavy rainstorm occurred during the Reporting Period brought certain property losses to the employees in relevant areas and even threatened their lives. We are concerned about the safety of our employees and in response to the disaster relief activities organised by the local government, we have formulated relevant response and relief plans based on the damages brought by the heavy rainstorm on our employees to provide appropriate support and assistance.

During the Reporting Period, the Group found no significant violation of laws and regulations regarding health and safety at workplace (such as Laws of the People's Republic of China on Prevention and Control of Occupational Diseases, Provisions on the Supervision and Administration of Occupational Health at Work Sites and Fire Protection Law of the People's Republic of China).

EMPLOYMENT AND LABOUR (Continued)

Employee development and training

We give priority to internal promotion and offer a platform for employees' career development. With reference to the job nature and individual ambitions, ability and development needs, we offer different career development programs and plans for each employee. Meanwhile, employees of the finance department, human resources and administration department, information technology department and legal department are able to gain exposure to different business segments through job or project rotation, which allows them to broaden their horizons.

We encourage continuous learning and offer specific on-the-job training, counselling and lectures to employees to enhance their capacity, professional skills and knowledge as well as keeping abreast of the latest market developments and trends. This does not only facilitate their on-going personal development, work performance and fulfilment of potential, but also supports the long-term growth of the Group. Our training for employees covers corporate constitution, corporate culture, management capability, career planning, professional knowledge and skills, etc.

Besides, an e-learning platform named "Pou Sheng Academy" has been set up, which allows employees to assess the platform via mobile communication devices and learn anywhere and anytime at their own pace and workload for self-improvement and learning different skills. At the same time, the platform can also increase the understanding and communication between employees. During the pandemic, "Pou Sheng Academy" even implemented push notifications for information about pandemic prevention.

EMPLOYMENT AND LABOUR (Continued)

Employee development and training (Continued)

The table below shows the percentage of employees trained and the average training hours per employee in 2021 and 2020[2]:

Categories		Percentage of employee trained[3]		Average training hours per employee[4]	
		2021	2020[5]	**2021**	2020[5]
All employees		**68.3%**	90.7%	**40.6**	50.8
By gender	Male	**16.9%**	18.9%	**30.7**	41.8
	Female	**83.1%**	81.1%	**43.0**	53.1
By employee category	Senior	**0.3%**	0.2%	**11.1**	8.5
	Middle-level	**3.0%**	2.1%	**23.6**	24.5
	Supervisory-level	**8.5%**	6.7%	**33.3**	33.8
	General	**4.3%**	5.1%	**19.2**	21.8
	Shop	**83.8%**	85.9%	**43.4**	55.0

2 The above statistics included all full-time, part-time and contract employees of the Group. Training only included training activities organised by the Group.

3 Percentage of employee trained = Employees who took part in training/Number of employees × 100%; Percentage of employee trained by relevant category or gender = Number of employees who took part in training in relevant category or gender/Employees who took part in training × 100% (taking into account all employees who have participated in training during the Reporting Period (regardless of whether the employee is still an employee at the end of the Reporting Period), while the number of employees uses the end of the Reporting Period as the date of reference).

4 Average training hours per employee = Total number of training hours/Total number of employees; Average training hours for employees in relevant category or gender = Total training hours for employees in relevant category or gender/Total number of employees in that category or gender.

5 The employee training data for 2020 has been recalculated according to the latest Reporting Guidance on Social KPIs published by the Stock Exchange.

EMPLOYMENT AND LABOUR (Continued)

Employee remuneration and benefits

Talents are the Group's most valuable assets, hence nurturing them has become one of our major development goals. The philosophies of our talent development strategies are as follows:

- Enhancing soft power: introduce and enhance our employees' recognition of the Group's core values, namely professionalism, dedication, innovation and service, and incorporate such values in the performance evaluation to set up standards for mind-sets and behaviours, so as to ensure that their attitudes and behaviours embody and conform to our corporate culture;

- Boosting hard power: establish the highly efficient organisational structure, staff evaluation system, recruitment platform and system, and formulate plans for the sustainable career development of employees based on the development strategies;

- Enhancing employees' knowledge and skills by on-going and well-planned talent nurturing system, so as to maximise efficiency and productivity;

- Incentive strategy characterised by high-compensation for talents with remarkable performance and high-contribution;

- Building of comprehensive employer brand; and

- Providing opportunities to achieve personal ambition to talents who share the same vision with the Group, making the Group the best and desirable employer.

The Group has a sound employment system in place, which is designed for systematic management of staff recruitment, remuneration and benefits, promotion, termination and dismissal, etc. We conduct open recruitment online and recruit employees that meet the position requirements and our corporate culture based on the business nature and employment criteria of such positions. Furthermore, we sign, renew, terminate or dismiss labour contracts with employees in accordance with the relevant national and local laws and regulations (such as Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and Employment Ordinance of Hong Kong). We also fulfil our obligations as agreed in the labour contracts.

The Group offers competitive, fair and just remuneration and benefits. We conduct salary market research annually, for the purpose of maintaining the competitiveness of the overall remuneration package, which is also the cornerstone of talent attraction and retention. We also review staff remuneration annually based on individual performance and the remuneration system of the Group. To share our success with staff, attract talents and retain employees, the Group has adopted two share-based incentive schemes, namely (1) the Share Option Scheme (expired in 2018) and (2) the Share Award Scheme, details of which are set out in the sections "Share Option Scheme" and "Share Award Scheme" in the Directors' Report. The Group not only maintains social insurance as required by the labour laws, but also purchases commercial medical insurance and provides optional family medical insurance plan at competitive prices to provide comprehensive medical coverage. The employees also have various benefits and allowances, such as provident fund and staff discounts.

EMPLOYMENT AND LABOUR (Continued)

Employee remuneration and benefits (Continued)

Furthermore, we believe a healthy working environment that emphasises on work-life balance can enhance employees' belongingness to the Group and bring us more vitality and growth. Thus, the Group offers reasonable work hours and paid leaves to employees. Apart from maternity leaves and paternity leaves as required by local laws, employees are also entitled to marriage leaves, bereavement leaves, examination leaves and charitable leaves, etc. We organise a wide range of relaxing and socialising activities for our employees on a regular basis, which include sports and recreation events, health, staff caring and community service activities.

Diversity and equal opportunity

With equal opportunities in mind, the Group is committed to create a workplace that is diverse, inclusive and free from discrimination. It aims to treat all employees equally and respect their differences. In doing so, we do not discriminate our staff on the grounds of gender, race, ethnic origin, religion, political affiliation, disability or age. This covers all employment arrangements, such as employment, deployment, recruitment, training, promotion, conduct, rates of pay and benefits, so as to ensure all employees and job applicants are entitled to equal opportunities and fair treatment. In addition, the Group employs people with disabilities as appropriate pursuant to the Law of the People's Republic of China on the Protection of Disabled Persons.

During the Reporting Period, the Group found no significant non-compliance with laws and regulations regarding human resources management (such as Trade Union Law of the People's Republic of China, Social Insurance Law of the People's Republic of China and Law of the People's Republic of China on the Protection of Women's Rights and Interests). As at December 31, 2021, the Group has a total of approximately 29,566 employees. Below sets out the details of our employee distribution in 2021 and 2020:

Categories		**2021**		2020	
		Number	**%**	Number	%
By gender	Male	**5,707**	**19.3%**	6,619	19.9%
	Female	**23,859**	**80.7%**	26,703	80.1%
By employment type	Contract	**27,754**	**93.9%**	30,529	91.6%
	Permanent	**1,812**	**6.1%**	2,793	8.4%
By age group	Below 30	**11,104**	**37.6%**	13,433	40.3%
	30-39	**13,979**	**47.3%**	15,272	45.8%
	40-49	**4,179**	**14.1%**	4,267	12.8%
	50 and above	**304**	**1.0%**	350	1.1%
By region	Hong Kong	**18**	**0.1%**	18	0.1%
	Taiwan	**301**	**1.0%**	290	0.9%
	Mainland China	**29,247**	**98.9%**	33,014	99.1%

EMPLOYMENT AND LABOUR (Continued)

Diversity and equal opportunity (Continued)

Below sets out the turnover of our employees by gender, age group and region in 2021 and 2020:

Categories		2021	2020
By gender	Male	**90.4%**	78.0%
	Female	**58.5%**	56.4%
By age group	Below 30	**101.6%**[6]	87.8%
	30-39	**47.0%**	44.2%
	40-49	**28.1%**	34.8%
	50 and above	**32.6%**	56.3%
By region	Mainland China	**33.3%**	60.8%
	Taiwan	**49.2%**	50.0%
	Hong Kong	**64.9%**	0.0%

COMMUNITY

Community charity

Society is an integral part of corporate development, and giving back to the society is the social responsibility that enterprises should assume. As a member of the society, enterprises have the obligation to fulfil their social responsibilities. Enterprises should bear the responsibilities of society, environment, consumers and other aspects while pursuing the best possible profitability. Therefore, the Group is committed to promoting the development of social welfare and philanthropy. The business activities undertaken by the Group gave priority to the interests of the community and the Group attaches great importance to community charity, with the aims of better serving the community and giving back to society at various levels. We also strive to carry out charity events effectively, so as to boost community engagement and gain public recognition. For years, the Group has been actively participating in community events such as promoting sports development, disaster relief, poverty alleviation and donation for school establishment and operation.

6 The reason why the turnover of this employee category is higher than 100% is that the income of terminal retail personnel has been reduced due to the recurring impact of the Pandemic, with 77.68% of the departing employees seeking personal development and 22.32% leaving due to family, health, salary, stress and other reasons. The Group's countermeasures and remedial measures include the adoption of competitive incentive programs to motivate employees to create incremental sales to increase their income, improvement of employee benefits such as in-depth promotion of anti-pandemic measures and ExP benefits for all employees, continuous promotion of humanistic care and attention such as “Employees’ Urgent Aid Management Measures”, and the creation of a sporty, happy, healthy and friendly working environment. The Group will make every effort to provide employees with more training and learning opportunities, and let our employees to have greater development potentials and a relatively clear career path.

COMMUNITY (Continued)

Community charity (Continued)

Over the years, the Group has been enthusiastically participating in the Chinese government's rural poverty alleviation initiatives, so as to jointly drive poverty alleviation to leap forward. During the Reporting Period, the Group has actively responded to the call of the Chinese government to make donations, including but not limited to:

Name of charity events	**Charity events expenditure** (RMB)
Cash subsidies for school maintenance work in Dujiagou, Gansu Province	20,000
Donations of school uniform to Longnanshihe Primary School (隴南石河小學) in Gansu Province	6,450
Cash subsidies for education project of Shangluokema Secondary School (上羅科瑪中學) in Luhuo County, Sichuan Province	44,367
Donations of student grants to Yangguangshaonian (陽光少年) project	40,000

In addition, the Group and the Weichen Foundation (微塵公益基金會) have jointly launched a "Love Stationery" charity event to purchase stationery and donate it to high-achieving students with family difficulties before the start of the new semester. In order to subsidise new college students with family difficulties in fulfilling their dreams of becoming college students, the Group and the Weichen Foundation (微塵公益基金會) have jointly launched a "Dream Fulfilment Campaign" (圓夢行動) for the "prospective college students" with family difficulties in 2021, to build a bridge of love and assist these college students in providing encouragement and support at the early stage of their studies. At the same time, the "Urgent Aid Management Measures for Staff of Pou Sheng International"(《寶勝國際員工急難救助管理辦法》) was formulated within the enterprise with the purpose of caring for the employees, which has successfully aided a number of employees who have difficulties in life caused by severe illnesses and unexpected disasters.

COMMUNITY (Continued)

Community charity (Continued)

Blood donation is a social responsibility that enterprises should assume. In response to the government's call for blood donation and promote the principle of "all for one, one for all", the Group arranged its employees to participating in blood donation activities for many years, with dozens of staff actively participated in blood donation activities. In the future, the Group will continue to encourage and guide employees to actively participate in blood donation activities.

In July 2021, the catastrophic flood in Henan caused great damage and loss to people and property in Henan. In order to show understanding for the flooding in Henan, the Group paid ongoing attention to the flood. During the flood of 20 July in Henan, temporary resting spots were set up in Zhengzhou on-street shops/sports cities to provide safe havens for people who had nowhere to go or were stranded on the streets. At the same time, charging stations were provided for citizens whose mobile phones were running out of battery, so that everyone could check in with their families and call for help when in need. The Zhongyuan YYsports City in Zhengzhou joined hands with Zhengzhou Red Cross in setting up a collection station for disaster relief materials at the Zhongyuan Sports City to collect disaster relief materials from the society, and shop partners sent the collected disaster relief materials to the Zhengzhou Red Cross centre. In the meantime, the disaster relief materials were dispatched in accordance to the actual needs of the disaster area and an emergency procurement process was launched to purchase rescue boats, generators and other urgently needed rescue equipment, which were swiftly dispatched to Henan overnight for support. The Group provided some financial assistance to families of employees with serious property losses to help the affected families in overcoming difficulties brought by the flood.

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COMMUNITY (Continued)

Community charity (Continued)

To realise the corporate vision of “Make sports your life!”, the Group actively develops sports charity and leverages its own business operations to promote the public awareness in sports as well as healthy and happy living. The Group continuously launched the ExP programme in 2021, through which we hope to inspire people to develop an enduring passion for exercise and cultivate good exercise habits and feel happier when they witness the changes of their bodies. During the Reporting Period, ExP launched events such as the “Pou Sheng Employee ExP Scheme”, “Shandong Shengdao Sports 3 on 3 Basketball League” and “7th Shengdao Sports Shi Bei Cup Table Tennis League”. By participating in designated events at YYsports, participants can earn ExP experience points and enjoy the benefits that come with accumulating ExP experience points.

To conclude, in the Reporting Period, the Group systematically organised and participated in a wide range of charity events, including but not limited to:

- Shandong Shengdao Sports 3 on 3 Basketball League;
- 7th Shengdao Sports “Shi Bei Cup” Table Tennis League;
- Arranging employees to donate blood to the Blood Management Centre of Hongkou District, Shanghai;

COMMUNITY (Continued)

Community charity (Continued)

A number of charity events were organised or joined by different regional offices, with more than 2,500 employees participated and donated approximately RMB200,000 and invested 105 hours, including but not limited to:

- Donations of school uniform to Longnanshihe Primary School (隴南石河小學) in Gansu Province;
- Donations to school maintenance in Dujiagou, Gansu Province;
- Donations of supplies for Shangluokema Secondary School (上羅科瑪中學) in Luhuo County, Sichuan Province;
- Donations of supplies to alleviate the catastrophic flood of 20 July in Henan;
- "Dream Fulfilment Campaign" (圓夢行動) for assisting economically challenged college students; and
- Yangguangshaonian (陽光少年) project by the Weichen Foundation (微塵公益基金會).

ENVIRONMENT

The Group is always dedicated to protecting the environment and promoting green living. Thus, we select the product mix very carefully and exercise strict control over the safety and eco-quality of products, thereby assuring our nature-loving stakeholders that no harm will be done to the Earth and to stick up for a healthy green Earth together. As a retailer of sportswear and distributor of licensed products, the Group does not engage in business operation that directly generates hazardous wastes as well as water and land pollution, which are usually regulated under the relevant environmental laws and regulations.[7] During the Reporting Period, the Group found no significant violation of relevant environmental laws and regulations (such as Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Atmospheric Pollution and Control Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste).

As a retailer of sportswear and distributor of licensed products, we have actively coordinated with suppliers and implemented a number of carbon reduction measures to enhance the Group's energy efficiency and reduce carbon emissions. We hope to reduce the greenhouse effect by setting and implementing medium and long term greenhouse gas emissions and waste reduction targets, as well as regularly monitoring and reviewing the progress of the Group's carbon emissions management targets. Measures include tracking and monitoring the resource usage of the Group's stores, warehouses, fleets and offices, adjusting the carbon emissions management plan, and establishing corresponding measures to improve the resource efficiency of business operation, encouraging employees and suppliers to reduce carbon emissions in their daily business activities, including actively promoting resource recycling and increasing their awareness of environmental protection, considering ESG factor in the procurement process, giving priority to suppliers with a sustainable development approach, as well as increasing the use of video-conferencing to reduce the need for business trips, so as to comprehensively reduce other indirect greenhouse gas emissions.

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7 As a retailer of sportswear and distributor of licensed products, the Group has no significant hazardous waste produced during the reporting period. Hence, the relevant disclosure requirement under the ESG Guide (key performance indicator A1.3) is not applicable to the Group.

ENVIRONMENT (Continued)

To reduce the environmental burden caused by operation, the Group has set targets and implemented plans to reduce waste and gas emission as well as to conserve resources, thereby enhancing sustainable development performance.

Environmental Management Targets	
Emission reduction – Carbon emissions	Embedding the notion of "Carbon Reduction" into its business strategies and daily operations to gradually lower the carbon emission intensity on yearly basis.
Waste reduction – Shopping bags	Maintain or lower the intensity of shopping bags used in 2023 than that in 2020.
Energy conservation – Electricity	Reduce the electricity consumption intensity by 5% by 2023 using 2020 as the base year.
Water conservation – Drinking water	We continue to promote the concept of "Water Conservation" to our employees and customers, and are committed to promoting the concept of water conservation to all employees and reachable customers by 2023.

Use of packaging materials

The Group strives to reduce the use of packaging materials. Since 2013, we have replaced paper bags with eco-shopping bags at most of our stores. In 2021, our consumption of packaging materials mainly comprised shopping bags offered to customers, which included plastic bags, eco-bags and paper bags. Total consumption and intensity of packaging materials used by the Group during the Reporting Period are as follows:

Packaging materials	2021	2020
Shopping bags		
Consumption (tonnes)	**1,064.3**	1,196.3
Intensity (tonnes/revenue in RMB million)	**0.05**	0.05
Plastic wrap		
Consumption (tonnes)	**161.7**	4.6
Intensity (tonnes/revenue in RMB million)	**0.006**	0.0002

We instill the concept of "environmental protection" to consumers by encouraging consumers to bring their own shopping bags and considering giving certain incentives to consumers who bring their own shopping bags. We will replace plastic bags with degradable non-woven bags or paper bags, and provide shopping bags with appropriate size based on the actual needs of consumers, so to minimise the use of plastic bags to achieve the waste reduction target by 2023.

ENVIRONMENT (Continued)

Climate change adaptation

Extreme weather such as strong typhoons, hail, rainstorms, flooding and heat waves can pose challenges to retail stores, supply chains and customer safety. The Group is committed to gradually building the Group's resilience under climate change by assessing, identifying and managing potential risks and opportunities associated with climate change, with a view to taking appropriate measures and establishing effective coordination mechanisms through climate change policies to mitigate the direct or indirect impact of climate change on business operations. We will review climate change policies on a regular basis or as necessary to ensure their relevance and effectiveness.

In view of the characteristics of the distribution and retail industry, the Group will continue to assess the impact and business opportunities of risks associated with climate change, and formulate appropriate operational procedures and measures to prevent or reduce the damage and loss that climate change may cause to the Group's existing assets or business operations, as well as to actively seize the opportunities brought by climate change and adapt the impact of climate change.

In addition, in order to enhance its resilience to climate change, the Group will allocate sufficient resources to strengthen the Group's adaptability and monitor the impact of climate change on its business, including the transportation of goods, warehouse storage and store operation, providing feedback on a regular basis. We have integrated climate change management procedures and mechanisms into the overall risk management mechanism and integrated them into the Group's risk management system to identify the vulnerability and impact of potential risks. Through internal and/or external communication platforms, trainings and other means, we can communicate and contact with stakeholders (such as landlords, suppliers, etc.) to pass on information related to the impact of climate change as well as the Group's climate change strategy, so as to jointly enhance our climate change resilience. We will disclose the risks associated with climate change and their management measures in the annual report.

The Company is currently a low-carbon emission enterprise. In the future, through the continuous monitoring by the Company's headquarter, all operating units will implement relevant measures to reduce their emission density to maintain the continuous reduction of carbon emission density, so as to maintain the continuous trust of customers and investors in the Company.

ENVIRONMENT (Continued)

Environmental impact management

The Group closely monitors the potential environmental impacts caused by its subsidiaries and stores, with the aim of minimising the damages to the environment as a result of our operation. During the Reporting Period, the Group took actions to manage other significant environmental impacts caused by our operation as well, including dusts, odours and noises from store renovation works. Meanwhile, the lightboxes installed outside street shops and sports cities are mainly in two forms: (1) lightboxes made of LED resin for signboards displaying brand names and logos; and (2) spotlights used to illuminate the billboards and signboards at nights.

To better control and reduce the environmental impacts, the Group has adopted the following principal measures:

Construction materials: we follow stringent criteria in selecting construction materials and contractors, so as to protect employees and customers from the harmful effects of odour and toxic substances after renovation.

Dusts and odours: we erect site hoardings around the worksites and reduce airborne dusts and odours by water sprays.

Noises: we erect site hoardings with rock wools around the worksites to reduce noises.

Lightboxes: the Group regularly reviews and considers shortening the operating hours of the lightboxes at night to reduce light pollution and energy consumption.

In pursuit of green operation, the Group has always been monitoring resources consumption of its subsidiaries and stores, and in compliance with Energy Conservation Law of the People's Republic of China. We are dedicated to energy efficiency enhancement and wastage reduction, so as to achieve the best use of resources. We encourage employees to switch off the lighting system, computers and electronic equipment in idle to save energy, minimise the use of paper, adopt video conferencing or other means to communicate and hold meetings instead of organising business trips to reduce business flights.

The Group not only promoted energy saving initiatives to employees, but also established a variety of energy consumption indicators for all subsidiaries and retail stores, which were under regular monitoring to ensure efficient use of energy. At the same time, the Group organised promotion, education and training for employees in this regard. Apart from raising employees' green awareness, the Group is dedicated to promoting green awareness of customers as well, such as using less packaging materials and encouraging consumers to bring their own eco-bags.

ENVIRONMENT (Continued)

Energy consumption

Total energy consumption and intensity[8] of the Group during the Reporting Period are as follows:

Energy type	2021	2020
Electricity		
Consumption (kWh)	**105,844,817.1**	91,383,863.6
Intensity (kWh/revenue in RMB million)	**4,533.0**	3,568.1
Gasoline		
Consumption (litre)	**146,074.5**	117,595.4
Intensity (litre/revenue in RMB million)	**6.3**	4.6
Diesel		
Consumption (litre)	**33,466.1**	34,739.3
Intensity (litre/revenue in RMB million)	**1.4**	1.4
Natural gas[9]		
Consumption (m^3)	**2,097.0**	4,062.0
Intensity (m^3/revenue in RMB million)	**0.1**	0.2

The main power consumption equipment of the Group is mainly commercial lighting and air conditioning in stores. We are committed to energy-saving and power-saving technological innovation and strive for new breakthroughs. Thus, commercial lighting will be gradually replaced with LED energy-saving lighting, with an aim that LED energy-saving lighting will be used in more than 80% of newly opened stores; stipulate that newly installed air conditioners must be energy-saving air conditioners; carry out technical upgrading for existing power facilities and install intelligent energy-saving equipment; and improve operating efficiency at business level to reduce the power consumption of revenue units, so as to achieve the power-saving target by 2023.

8 The statistics included major energy consumption by various operating units of the Group (including directly operated stores, department store counters, sports cities and offices), but excluded joint ventures as well as those energy consumption which the Group had no direct control.

9 The natural gas consumption of 2020 was mainly attributable to the Kunshan factory cafeterias, which was changed to outsourced catering service during the Reporting Period. Such consumption was not within the control of the Group, resulting in a decrease in consumption.

ENVIRONMENT (Continued)

Energy consumption (Continued)

Furthermore, the Group implemented the following energy saving measures during the Reporting Period:

- Adopted outdoor lightboxes made of LED resin and other energy-saving materials;
- Adjusted the demand in different districts for lighting and air conditioning in offices and shops according to different time periods and footfall;
- Installed energy-saving lightings and equipment as much as possible when renovating operation units and adopted space planning that reduce energy consumption;
- Adopted video conferencing and multi-party teleconferencing for communication with clients, brand vendors and subsidiaries, which reduced business trips by approximately 20%;
- Reasonably allocating the use of commercial vehicles and encourage rail transit, which reduced fuel consumption;
- Meetings of the Board, its committees and the annual general meeting of the Company are substantially conducted by means of video, telephone or hybrid conferencing; and
- Unplugged electrical appliances that were fully charged to reduce power wastage and reserve battery life, which saved electricity consumption by approximately 1-2%.

ENVIRONMENT (Continued)

Non-hazardous waste treatment

The Group actively implements green measures to reduce waste in the course of daily operations and business activities. In recent years, Chinese government has been actively promoting the separation of domestic waste in key cities and establishing a domestic waste separation and disposal system. The Group's subsidiaries and retail stores are strictly complying with and enforcing the waste management systems, management practices and regulations (such as Shanghai Domestic Waste Management Regulations and Shanghai Domestic Waste Separation and Disposal Guidelines) stipulated by the respective regions. We separate waste strictly, dry waste, wet waste, hazardous waste and recyclable waste, etc. are effectively separated. We are committed to enhancing the awareness on waste separation of our staff from time to time. Upon separation, the waste is handed over to qualified treatment companies for processing and recycling. Non-hazardous waste produced by the Group mainly comprised of renovation waste and domestic waste, which included paper, carton, ink cartridges, toner cartridges, plastic bottles, paper cups and ink ribbons for printers. Total amount and intensity of non-hazardous waste produced by the Group during the Reporting Period are as follows:

Non-hazardous waste[10]	**2021**	2020
Domestic waste		
Total amount (tonnes)	**189.2**	237.8
Intensity (tonnes/revenue in RMB million)	**0.008**	0.009
Renovation waste[11]		
Total amount (tonnes)	**3,397.3**	1,125.0
Intensity (tonnes/revenue in RMB million)	**0.15**	0.04

10 The statistics included non-hazardous waste produced in the course of operation by various operating units of the Group (including directly operated stores, department store counters, sports cities and offices) located in mainland China, Taiwan and Hong Kong, but excluded joint ventures as well as those produced by customers or from other sources over which the Group had no direct control. Among which, total amount of renovation waste included the renovation waste passed to the renovation contractor by the Group for centralised disposal.

11 We engage contractors to collect and transport renovation waste to the disposal sites as designated by the municipal construction waste office, and such renovation waste will be disposed by renovation contractor. To improve the data quality, renovation waste will be shown in actual amount from this Reporting Period.

ENVIRONMENT (Continued)

Non-hazardous waste treatment (Continued)

In term of waste reduction, we mainly exercise control at the source, i.e. minimise resources consumption and wastage, thereby reducing waste production. To this end, the Group implemented the following initiatives during the Reporting Period:

- Controlling paper usage by setting an expected paper usage by department and adopted electronic office platform for paperless operation and reused waste paper, which saved approximately 0.5% of the paper usage;

- Replaced bottled water and disposable cups with eco-friendly cups at most of our conferences and receptions. By not using disposable paper cups, approximately 8,000 paper cups were saved per year, which is the equivalent of one big tree;

- Collected and stored usable materials and equipment (such as shelves, props, air conditioners and televisions) when stores shut down or underwent renovation at our regional warehouses for reuse at next store opening and such reusable materials and equipment amounted to approximately 30 tonnes;

- Recycled used paper and toner cartridges, used cardboard boxes were collected by professional recyclers; and

- Cardboard boxes used for logistics will be recycled, saving approximately 1,000 kilograms of cardboard boxes usage per year.

ENVIRONMENT (Continued)

Water consumption

The main water consumption of the Group is for staff's domestic utilisation. To support environmental protection, the Group provides direct drinking water instead of bottled water for most offices, so as to reduce secondary contamination and environmental impact. Total water consumption and intensity of the Group during the Reporting Period are as follows:

Water[12,13]	2021	2020
Consumption (m^3)	**143,148.0**	264,427.6
Intensity (m^3/revenue in RMB million)	**6.1**	10.3

During the Reporting Period, the Group had no issue in sourcing water that is fit for purpose and implemented the following measures to reduce water consumption and achieve water-saving targets:

- Promoted and strengthened the concept of "water saving" through offices and online platforms, such as posting signs and notices nearby the washbasins to raise awareness towards water conservation, and organising water conservation related activities with charity organisations;
- Turned off the water supply system to a limited extent during non-office hours, which mainly consisted the toilet flushing system of the workshop, as well as all non-emergency water usage; during office hours, the domestic water supply system in the dormitory area was turned off to a limited extent, which avoided the waste of water resources caused by cracking of water pipes;
- Used water-saving equipment such as water-saving faucets and water-saving toilets, and installed sensors at water taps to control water consumption, which reduced water consumption by approximately 5%; and
- Carried out inspection by dedicated staff to check whether there was any leakage in water pipes and water tanks, which reduced water consumption by approximately 5%.

12 The statistics included water consumption of various operating units of the Group (including directly operated stores, department store counters, sports cities and offices), but excluded joint ventures. Water consumption is estimated or calculated based on the water bills provided by the water department or the property management company, but the calculation of some bills may not be based on actual water consumption.

13 The difference of -45.52% between the water consumption of the Reporting Period and that of 2020 reflects the actual consumption of the Group. We adjusted the statistical calibres and will only record the actual consumption measured from this Reporting Period. The water consumption for counters and some directly operated stores will be temporarily removed from the reporting scope, but we will continue to communicate with relevant groups and hope to present a more complete data in the future.

ENVIRONMENT (Continued)

Emissions from business operations

As the Group is principally engaged in the retail business, our gas emissions are primarily greenhouse gases (including carbon dioxide, methane and nitrous oxide) emitted from the use and purchase of electricity, gasoline, diesel and natural gas. We will continue to monitor the environmental impacts of our business operation and implement a wide range of conservation measures, such as:

- Collecting the environmental improvement suggestions put forward by employees in the course of operation through various means (e-mail, suggestion box, questionnaire) within the Group and implement appropriate and feasible suggestions;

- Setting up low-carbon knowledge contest through YY "King of Knowledge" activity on the ExP platform to promote the knowledge of environmental protection to employees and consumers;

- Regularly tracking the fuel consumption of vehicles. Vehicles with high fuel consumption will be examined in a timely manner, and vehicles with continuous high fuel consumption will be replaced in due course. During the Reporting Period, we have replaced 8 vehicles with high mileage in the regions of Zhejiang, Fujian, Tianjin, Shandong and Hebei; and

- Optimising and implementing power saving plans in business places such as relevant offices and shops.

in hopes of reducing greenhouse gas carbon emissions and achieving the targets we set. Greenhouse gas carbon emissions resulting from our business operation during the Reporting Period is as follows:

Greenhouse gas carbon dioxide equivalent[14]	**2021**	2020
Direct (Scope 1) greenhouse gas emissions (tonnes)[15]	**487.3**	417.5
Indirect (Scope 2) greenhouse gas emissions (tonnes)[16]	**66,050.7**	56,593.7
Intensity (tonnes/revenue in RMB million)	**2.8**	2.2

14 Carbon dioxide emission equivalent is calculated based on the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), the Reporting Guidance on Environmental KPIs issued by the Stock Exchange and the Baseline Emission Factors for Regional Power Grids in China promulgated by the Department of Climate Change under the National Development and Reform Commission of the PRC and the electricity emission factors by the Bureau of Energy under the Ministry of Economic Affairs of Taiwan.

15 Scope 1 covers greenhouse gas emissions directly produced by businesses owned or controlled by the Group including gasoline, diesel and natural gas consumption.

16 Scope 2 covers greenhouse gas emissions indirectly produced by businesses owned or controlled by the Group (i.e. electricity consumption).

Deloitte. 德勤

TO THE MEMBERS OF
POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際(控股)有限公司
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Pou Sheng International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 108 to 207, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill allocated to several groups of cash generating units ("CGUs") which are engaged in the business of distribution and retailing of sportswear and footwear products and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales as a key audit matter due to the complexity and significant judgments and estimates involved in the assessment process of the management of the Group. As disclosed in note 16 to the consolidated financial statements, the carrying amount of goodwill as at December 31, 2021 was RMB522,163,000. Determining whether goodwill is impaired requires the management's estimation of the recoverable amounts of the relevant groups of CGUs to which the goodwill has been allocated, which is the higher of value in use and fair value less costs of disposal. In estimating the value in use of the above groups of CGUs, key inputs used by the management included discount rates, growth rates, budgeted sales and gross margin and their related cash inflow and outflow patterns. The management also engaged an independent valuer to determine the discount rate. The above groups of CGUs containing goodwill did not suffer any impairment during the year ended December 31, 2021.	Our procedures in relation to the impairment assessment of goodwill included: • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the assumptions underpinning the discounted cash flow models, including growth rates, budgeted sales and gross margin through assessing the reasonableness of forecasted future cash flows by reference to the future business plan of the Group as well as industry trend; • Involving our team of internal valuation experts to assess the discount rate applied underpinning the discounted cash flow models by performing re-calculations based on market data and certain company specific parameters, as well as evaluating the reasonableness of parameters applied by the independent valuer; • Evaluating the reasonableness of sensitivity analysis provided by the management of the Group, and performing re-calculations to assess the extent of impact on the value in use; and • Evaluating the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current year and understanding the causes for any significant variances.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of obsolete and slow-moving inventories	
We identified the assessment of net realisable value of obsolete and slow-moving inventories as a key audit matter due to the significant judgments and estimates involved in the determination of the net realisable value of these obsolete and slow-moving inventories by the management of the Group. As disclosed in notes 19 and 8 to the consolidated financial statements, the carrying amount of inventories included in the inventories balances as at December 31, 2021 was RMB7,578,037,000 and the net changes in allowance for inventories debited to the consolidated income statement for the year ended December 31, 2021 was RMB32,456,000. Accumulated allowance made as at December 31, 2021 was RMB165,546,000. As explained in note 4(b)(ii) to the consolidated financial statements, the management of the Group reviewed the aging and saleability of the inventories at the end of the reporting period and made allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management of the Group estimated the net realisable value for those items based primarily on the inventories condition, the latest transaction prices and current market condition.	Our procedures in relation to assessment of net realisable value of obsolete and slow-moving inventories included: • Understanding the process performed by management of the Group on identification of obsolete and slow-moving inventories; • Evaluating the accuracy of aging analysis of inventories by utilising computer assisted audit techniques and checking, on a sample basis, to the invoices and other relevant supporting documents; • Based on historical sales data of inventories in different aging categories, developing a point estimate to evaluate the reasonableness of allowance for inventories due to net realisable value of potentially obsolete and slow-moving inventories; and • Performing retrospective review using data analytic on actual sales performance in 2021 for those inventories as at December 31, 2020.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 15, 2022

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	23,350,235	25,611,125
Cost of sales		(15,050,952)	(17,784,820)
Gross profit		8,299,283	7,826,305
Other operating income and gains (losses)	6(a)	458,017	340,284
Selling and distribution expenses		(6,962,403)	(6,741,868)
Administrative expenses		(866,440)	(763,318)
Operating profit		928,457	661,403
Finance costs		(202,932)	(251,825)
Finance income		28,079	18,773
	6(b)	(174,853)	(233,052)
Share of results of joint ventures		(163,512)	15,364
Other gains (losses)	6(c)	(15,972)	(10,660)
Profit before taxation		574,120	433,055
Income tax expense	7	(198,365)	(118,395)
Profit for the year	8	375,755	314,660
Attributable to:			
Owners of the Company		356,587	302,840
Non-controlling interests		19,168	11,820
		375,755	314,660
		RMB cents	RMB cents
Earnings per share	11		
– Basic		6.86	5.75
– Diluted		6.84	5.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	375,755	314,660
Other comprehensive (expense) income		
An item that will not be reclassified to profit or loss		
Fair value (loss) gain on investments in equity instrument at fair value through other comprehensive income	(106)	827
An item that may be reclassified subsequently to profit or loss		
Exchange differences arising on the translation of foreign operations	(139)	1,594
Other comprehensive (expense) income for the year	(245)	2,421
Total comprehensive income for the year	375,510	317,081
Attributable to:		
Owners of the Company	356,342	305,337
Non-controlling interests	19,168	11,744
	375,510	317,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investment properties	12	88,900	94,700
Property, plant and equipment	13	1,122,074	1,294,239
Right-of-use assets	14	2,890,219	3,246,941
Deposits paid for acquisition of property, plant and equipment		44,792	60,583
Rental deposits		168,453	183,988
Intangible assets	15	70,253	180,351
Goodwill	16	522,163	522,163
Interests in joint ventures	17	–	378,779
Equity instrument at fair value through other comprehensive income		3,019	3,149
Deferred tax assets	18	56,145	64,288
		4,966,018	6,029,181
CURRENT ASSETS			
Inventories	19	7,578,037	5,869,541
Trade and other receivables	20	2,807,379	3,360,206
Taxation recoverable		73,763	639
Bank balances and cash	21	1,233,783	1,742,290
		11,692,962	10,972,676
Non-current assets classified as held for sale	17	–	20,412
		11,692,962	10,993,088
CURRENT LIABILITIES			
Trade and other payables	22	3,542,079	3,234,451
Contract liabilities	23	445,644	585,863
Taxation payable		40,332	185,517
Bank borrowings	24	1,581,640	1,948,679
Lease liabilities	25	978,018	1,047,232
		6,587,713	7,001,742
NET CURRENT ASSETS		5,105,249	3,991,346
TOTAL ASSETS LESS CURRENT LIABILITIES		10,071,267	10,020,527

AT DECEMBER 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	26,207	60,442
Lease liabilities	25	1,842,864	2,084,055
		1,869,071	2,144,497
NET ASSETS		8,202,196	7,876,030
CAPITAL AND RESERVES			
Share capital	26	46,438	46,688
Reserves		8,049,026	7,723,513
Equity attributable to owners of the Company		8,095,464	7,770,201
Non-controlling interests		106,732	105,829
TOTAL EQUITY		8,202,196	7,876,030

The consolidated financial statements on pages 108 to 207 were approved and authorised for issue by the board of directors of the Company on March 15, 2022 and are signed on its behalf by:

Wu, Pan-Tsu
CHAIRMAN AND
EXECUTIVE DIRECTOR

Lee, Shao-Wu
CHIEF EXECUTIVE OFFICER
AND EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

	Equity attributable to owners of the Company																
	Share capital RMB'000 (Note 26)	Share premium RMB'000	Special reserve RMB'000 (note (i))	Other reserve RMB'000 (note (ii))	Revaluation reserve RMB'000	Merger reserve RMB'000 (note (iii))	Property revaluation reserve RMB'000	Reserve on instruments at FVTOCI RMB'000	Shares held under share award scheme RMB'000	Share award reserve RMB'000	Share-based compen-sation reserve RMB'000	Non-distributable reserve RMB'000 (note (iv))	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2020	46,685	5,174,836	676,506	(1,484,758)	55,395	29,544	6,381	-	(104,494)	24,081	6,869	670,149	(13,313)	2,524,693	7,612,574	93,504	7,706,078
Fair value gain on investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	827	-	-	-	-	-	-	827	-	827
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	1,670	-	1,670	(76)	1,594
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	302,840	302,840	11,820	314,660
Total comprehensive income for the year	-	-	-	-	-	-	-	827	-	-	-	-	1,670	302,840	305,337	11,744	317,081
Purchase of shares under share award scheme	-	-	-	-	-	-	-	-	(144,180)	-	-	-	-	-	(144,180)	-	(144,180)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	-	3,036	-	-	-	-	3,036	-	3,036
Recognition of equity-settled share-based payments, net of amount lapsed relating to share options not yet vested	-	-	-	-	-	-	-	-	-	-	(4,971)	-	-	-	(4,971)	-	(4,971)
Transfer upon lapse of share options	-	-	-	-	-	-	-	-	-	-	(844)	-	-	844	-	-	-
Share awards vested	-	-	-	-	-	-	-	-	14,899	(13,784)	-	-	-	(1,115)	-	-	-
Exercise of share options	3	506	-	-	-	-	-	-	-	-	(161)	-	-	-	348	-	348
Acquisition of additional interest of a subsidiary	-	-	-	(1,943)	-	-	-	-	-	-	-	-	-	-	(1,943)	581	(1,362)
Transfer	-	-	-	-	-	-	-	-	-	-	-	60,784	-	(60,784)	-	-	-
At December 31, 2020	46,688	5,175,342	676,506	(1,486,701)	55,395	29,544	6,381	827	(233,775)	13,333	893	730,933	(11,643)	2,766,478	7,770,201	105,829	7,876,030
Fair value loss on investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	(106)	-	-	-	-	-	-	(106)	-	(106)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	(139)	-	(139)	-	(139)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	356,587	356,587	19,168	375,755
Total comprehensive income for the year	-	-	-	-	-	-	-	(106)	-	-	-	-	(139)	356,587	356,342	19,168	375,510
Repurchase of own shares (Note 26)	(250)	(30,109)	-	-	-	-	-	-	-	-	-	-	-	-	(30,359)	-	(30,359)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	-	5,515	-	-	-	-	5,515	-	5,515
Transfer upon lapse of share options	-	-	-	-	-	-	-	-	-	-	(893)	-	-	893	-	-	-
Share awards vested	-	-	-	-	-	-	-	-	16,672	(10,602)	-	-	-	(6,070)	-	-	-
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,000)	(28,000)
Deemed disposal of partial interest in a subsidiary	-	-	-	(6,235)	-	-	-	-	-	-	-	-	-	-	(6,235)	6,235	-
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,500	3,500
Transfer	-	-	-	-	-	-	-	-	-	-	-	86,936	-	(86,936)	-	-	-
At December 31, 2021	46,438	5,145,233	676,506	(1,492,936)	55,395	29,544	6,381	721	(217,103)	8,246	-	817,869	(11,782)	3,030,952	8,095,464	106,732	8,202,196

notes:

(i) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in 2008.

(ii) The other reserve represents the difference between the fair value of the consideration paid or received and the relevant share of carrying value of the subsidiaries' net assets/liabilities acquired from or disposed of to the non-controlling interests, after re-attribution of relevant reserve.

(iii) The merger reserve represents the difference in the fair value of the consideration paid to Yue Yuen (as defined in Note 1) for the acquisition of subsidiaries controlled by Yue Yuen and the share capital and premium of the acquired subsidiaries.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	574,120	433,055
Adjustments for:		
Depreciation of property, plant and equipment	540,672	541,140
Depreciation of right-of-use assets	1,234,609	1,182,650
Amortisation of intangible assets	99,913	102,965
Net changes in allowance for inventories	32,456	(24,157)
Impairment losses reversal recognised on trade receivables, net	(4,524)	(584)
Impairment losses recognised on other receivables, net	1,066	116
Interest expenses	202,932	251,825
Interest income	(28,079)	(18,773)
Share of results of joint ventures	163,512	(15,364)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards and share options	5,515	(1,935)
Loss on disposal of property, plant and equipment	41,973	49,910
Impairment loss of an intangible asset	10,172	–
Fair value changes on investment properties	5,800	–
Dividend income from an equity instrument at fair value through other comprehensive income	–	(851)
Reversal of impairment loss on loan to a joint venture	–	(514)
Impairment loss recognised on goodwill	–	11,174
Operating cash flows before movements in working capital	2,880,137	2,510,657
(Increase) decrease in prepayments	(268,838)	103,864
Decrease (increase) in trade and other receivables	849,829	(209,662)
(Increase) decrease in inventories	(927,030)	2,176,096
(Decrease) increase in trade and other payables	(117,022)	638,267
(Decrease) increase in contract liabilities	(140,219)	170,894
Cash generated from operations	2,276,857	5,390,116
Income tax paid	(439,559)	(270,806)
NET CASH FROM OPERATING ACTIVITIES	1,837,298	5,119,310

FOR THE YEAR ENDED DECEMBER 31, 2021

	NOTE	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		(452,401)	(585,030)
Advance to a non-controlling interest of a subsidiary		(136,000)	(136,000)
Payments for right-of-use assets		(22,377)	(21,953)
Repayments of advance to a non-controlling interest of a subsidiary		136,000	136,000
Interest received		28,079	18,773
Receipt (payments) for rental deposits		23,134	(1,963)
Acquisition of a subsidiary	28	9,456	–
Proceeds from disposal of property, plant and equipment		5,316	22,479
Proceeds received from disposal of non-current assets classified as held for sale		4,657	15,503
Advance to a joint venture		–	(264,000)
Capital injection in a joint venture		–	(110,000)
Placement of structured bank deposits		–	(50,000)
Redemption of structured bank deposits		–	50,000
Dividends received from an equity instrument at fair value through other comprehensive income		–	851
Repayment of loan to joint ventures		–	514
NET CASH USED IN INVESTING ACTIVITIES		(404,136)	(924,826)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(2,599,877)	(4,946,784)
Repayments of lease liabilities, including related interests	(1,300,881)	(1,198,174)
Interest paid on bank and other borrowings	(69,277)	(126,785)
Share repurchased	(30,359)	–
Dividend paid to a non-controlling interest of a subsidiary	(28,000)	–
New bank and other borrowings raised	2,083,535	3,349,558
Capital contribution by non-controlling interests	3,500	–
Purchase of shares under share award scheme	–	(144,180)
Acquisition of additional interests of a subsidiary	–	(1,362)
Proceeds from issue of shares upon exercise of share options	–	348
NET CASH USED IN FINANCING ACTIVITIES	(1,941,359)	(3,067,379)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(508,197)	1,127,105
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,742,290	613,591
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(310)	1,594
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	1,233,783	1,742,290

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is Major Focus Management Limited, a company incorporated in the British Virgin Islands ("BVI") and the ultimate parent of the Company is Pou Chen Corporation ("PCC"), a company listed on the Taiwan Stock Exchange Corporation. The shares of an intermediate holding company of the Company, Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), an exempted company incorporated in Bermuda with limited liability, are also listed on the Stock Exchange.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are set out in Notes 5 and 36.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

Except as described below, the application of amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

As at January 1, 2021, the Group has certain bank borrowings, the interests of which are indexed to Hong Kong Interbank Offered Rate ("HIBOR"). The Group had confirmed with the relevant counterparties that HIBOR will continue to maturity. The amendments have had no impact on the consolidated financial statements.

2.2 Potential impact of application of the June 2021 International Financial Reporting Standards Interpretations Committee's (the "Committee") agenda decision – Costs necessary to sell inventories

In June 2021, the Committee, through its agenda decision clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

As at December 31, 2021, the Group is still in the process of assessing the potential impact and has yet to implement the change in accounting policy based on the Committee's agenda decision. The impacts on such change, if any, will be disclosed in the Group's future consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond June 30, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

1 Effective for annual periods beginning on or after April 1, 2021.
2 Effective for annual periods beginning on or after January 1, 2022.
3 Effective for annual periods beginning on or after January 1, 2023.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual period beginning on January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB2,787,276,000 and RMB2,820,882,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKFRSs Annual Improvements to HKFRSs 2018 - 2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties and financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment assessment, goodwill is allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes.

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGUs within the groups of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within groups of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the groups of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in joint ventures (Continued)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and the comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint ventures exceeds the Group's interest in those joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in joint ventures, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in joint ventures (Continued)

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

When there is a delay caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group, an extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

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 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 good or service.

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

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Provision on customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for cash discount in the future which provides a material right to the customers and gives rise to a separate performance obligation. The transaction price is allocated to the product and the award points, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award points is recognised when the award points are redeemed. Contract liabilities are recognised until the award points are redeemed. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

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 of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group 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.

The Group 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties 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 or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets 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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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 revised lease payments (including non-lease components) and lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants that are not related to assets are presented under “other income”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state managed retirement benefit schemes and the Mandatory Provident Fund Schemes ("MPF Schemes") are recognised as an expense when employees have rendered service entitling them to the contributions.

Employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share option scheme

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve).

At the end of each reporting period, service and non-market performance vesting conditions are included in the estimation about the number of share options that are expected to vest, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share capital and share premium. When the share options are lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

At the end of each reporting period, service and non-market performance vesting conditions are included in the estimation about the number of share awards that are expected to vest, the Group revises its estimate of the number of share awards that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share award reserve.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares is reversed from the share award reserve. The difference arising from such transfer is debited/credited to accumulated profits. When share awards are lapsed before the vesting date, the amount previously recognised in share award reserve will be transferred to accumulated profits.

When the share award scheme is cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share award reserve will also be transferred to accumulated profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position, except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated profits.

Depreciation is recognised to write off the cost of assets less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instrument designated at FVTOCI

Investment in an equity instrument at FVTOCI is subsequently 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 is not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to accumulated profits.

Dividends from the investments in equity instrument is recognised in profit or loss when the Group's right to receive the dividends is established, 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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including amounts due from related parties, amount due from a non-controlling interest of a subsidiary, trade and other receivables, loan to a joint venture, amount due from a joint venture and bank balances and cash) which are subject to impairment assessment under HKFRS 9. 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.

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, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) 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.

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; or

- 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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.

Despite the aforegoing, the Group assumes that the credit risk on bank balances has not increased significantly since initial recognition if the relevant bank is determined to have low credit risk at the reporting date. A bank is determined to have low credit risk if i) it has a low risk of default, ii) the bank has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the bank to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

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

ECL for trade receivables is considered using provision matrix. The trade receivables are grouped on the basis of past-due status.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments, including those through share award scheme, is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities, including amounts due to related parties, amount due to non-controlling interest of a subsidiary, bank borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgments in applying the Group's accounting polices

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Discount rates determination for lease liabilities

In determining the discount rates for lease liabilities, the Group is required to exercise considerable judgement in relation to determining the discount rates taking into account the nature of the underlying assets, the terms and conditions of the leases, credit worthiness of the relevant group entities and economic environment at both the commencement date and the effective date of the modification.

(ii) Control over Kunshan Baowei (as defined in Note 17)

On December 31, 2021, the Group entered into an equity interest transfer agreement with a joint venture partner to acquire its 45% equity interest of Kunshan Baowei, a joint venture jointly controlled by the Group and the joint venture partner through the 55% and 45% equity interest held by the Group and the joint venture partner respectively. Pursuant to the equity interest transfer agreement, (1) all of the profit or loss of Kunshan Baowei subsequent to December 31, 2021 is attributable to the Group, (2) all directors of Kunshan Baowei who were appointed by the joint venture partner resigned on December 31, 2021 and (3) the right for the joint venture partner to appoint any director(s) in Kunshan Baowei terminated on December 31, 2021. In view of the above, despite the transfer of the 45% equity interest of the joint venture was yet to register at the local State Administration for Market Regulation of the PRC on December 31, 2021, in making their judgment, the management of the Company considers that the Group has obtained control over Kunshan Baowei on December 31, 2021 and the Group is entitled to 100% equity interest of Kunshan Baowei as at December 31, 2021. Accordingly, Kunshan Baowei is considered as an indirect wholly-owned subsidiary of the Company with consideration payable of RMB176,128,000 recongised as at December 31, 2021 (Note 22). Details of the transaction are set out in Note 28.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amounts of several groups of CGUs which are engaged in the business of distribution and retailing of sportswear and footwear products and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the above groups of CGUs containing goodwill using a suitable discount rate. Where actual cash flows are less than expected or changes in facts and circumstances which results in downward revision of future cash flows, or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at December 31, 2021, the carrying amount of goodwill is RMB522,163,000 (2020: RMB522,163,000) (net of accumulated impairment loss of RMB10,993,000 (2020: RMB11,079,000)). Details of the recoverable amount calculation are disclosed in Note 16.

(ii) Allowance for inventories

The management of the Group reviews the aging and saleability of the inventories amounting to RMB7,578,037,000 (2020: RMB5,869,541,000) at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management of the Group estimates the net realisable value for such items based primarily on the inventories condition, latest transaction prices and current market conditions. The Group carries out an inventory review on aging categories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items. Where the actual transaction prices are different from expected, the provision may be subject to change. The net changes in allowance for inventories debited to the consolidated income statement for the year ended December 31, 2021 was RMB32,456,000 (2020: credited to the consolidated income statement of RMB24,157,000) upon review of saleability of the inventory balance remained at the end of the reporting period. Accumulated allowance made as at December 31, 2021 was RMB165,546,000 (2020: RMB133,115,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iii) Income taxes

As at December 31, 2021, a deferred tax asset of RMB24,203,000 (2020: RMB37,400,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB1,074,584,000 (2020: RMB709,947,000) due to the unpredictability of future profit streams. The reliability of the deferred tax asset arising from the unused tax losses is mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, a material reversal or future recognition of deferred tax asset may further arise, which would be recognised in profit or loss for the period in which such reversal or future recognition takes place.

In addition, the Group provides deferred tax liabilities in relation to the earnings expected to be distributed from its subsidiaries in the PRC and overseas. Deferred tax liabilities have not been provided on all distributable profits of these entities as the Group plans to retain the profits in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected or changes in the Group's future development plan which affects the expected timing and amounts of future distributions, material tax liabilities may arise, which will be recognised in profit or loss in the period in which such events occur.

(iv) Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging status of trade receivables as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 34(b) and Note 20.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) if such event or indicator exists, whether the carrying value of an asset can be supported by the recoverable amount, which is the higher of value in use and fair value less costs of disposal; (3) the appropriate key inputs to be applied in estimating the recoverable amounts. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The Group has material leasehold improvements and right-of-use assets in the retail stores which are subject to impairment test in the event of performance is below expectation. In addition, intangible assets allocated to several groups of CGUs are subject to impairment assessment test when indicator exists in any of the CGU within the groups of CGUs in which the relevant intangible assets have been allocated to. Impairment assessments were carried out against retail stores which are still underperformed after one year's operation since open and the related groups of CGUs in which the intangible assets are allocated. As at December 31, 2021, the Group performed impairment assessment on certain CGUs/groups of CGUs with impairment indicators. No impairment losses on right-of-use assets and property, plant and equipment and intangible assets were recognised respectively.

5. 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 Retail Business"). The Group's results and revenue are reported as a whole on a regular basis to the chief operating decision maker, being the executive directors of the Company, for the purposes of performance assessment and resource allocation. No other discrete financial information is presented other than entity-wide disclosures.

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

	2021 RMB'000	2020 RMB'000
Sales of sportswear and footwear products	23,222,060	25,499,253
Commissions from concessionaire sales	128,175	111,872
	23,350,235	25,611,125

The Group sells the sportswear and footwear products to the wholesale market and directly to customers through its own retail stores and counters in department stores and through internet sales. Revenue is recognised at the point when control of the goods has been physically transferred to customers.

For the commissions from concessionaire sales, revenue is recognised at the point upon the sale of goods by the relevant concessionaries.

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

Geographical information

The Group's operations are mainly located in the PRC.

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods and information about its non-current assets by geographical location of the assets.

	Revenue from external customers		Non-current assets (note)	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
PRC	23,184,518	25,443,650	4,865,086	5,545,343
Other locations	165,717	167,475	41,768	37,622
	23,350,235	25,611,125	4,906,854	5,582,965

note: Non-current assets exclude interests in joint ventures, an equity instrument at FVTOCI and deferred tax assets.

6. OTHER INCOME AND GAINS (LOSSES)

(a) Other operating income and gains (losses)

	2021 RMB'000	2020 RMB'000
Included in other operating income is the following items:		
Dividend income from an equity instrument at FVTOCI	–	851
Net exchange gain	47	2,181
Subsidy income from government	73,896	57,573
Included in other gains (losses) is the following items:		
Loss on disposal of property, plant and equipment	(41,973)	(49,910)
Impairment losses reversal on trade receivables, net	4,524	584
Impairment losses recognised on other receivables, net (note)	(1,066)	(116)

note: During the year ended December 31, 2021, impairment losses of RMB1,066,000 (2020: RMB116,000) arising from other receivables were recognised based on the impairment assessment under ECL model, having considered the relevant other receivables are credit-impaired due to deteriorated operating results of relevant debtors leading to financial difficulties for repayment.

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6. OTHER INCOME AND GAINS (LOSSES) (Continued)

(b) Finance income and costs

	2021 RMB'000	2020 RMB'000
Interest expense on:		
– bank and other borrowings	(67,520)	(111,271)
– advances from related parties	(483)	(702)
– lease liabilities	(134,929)	(139,852)
	(202,932)	(251,825)
Interest income from:		
– bank deposits	15,491	11,437
– amount due from a joint venture	10,727	5,628
– advance to a non-controlling interest of a subsidiary	1,861	1,708
	28,079	18,773
	(174,853)	(233,052)

(c) Other gains (losses) arising other than operating activities

	2021 RMB'000	2020 RMB'000
Impairment loss recognised on an intangible asset	(10,172)	–
Fair value changes on investment properties	(5,800)	–
Reversal of impairment loss recognised on loan to a joint venture	–	514
Impairment loss recognised on goodwill	–	(11,174)
	(15,972)	(10,660)

7. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax ("EIT")		
– current year	229,368	211,400
– overprovision in prior years	(4,807)	(12,813)
Current tax charge	224,561	198,587
Deferred tax credit (Note 18)	(26,196)	(80,192)
	198,365	118,395

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC (the "EIT Law of PRC"), except for certain subsidiaries which commenced operations during the year and are eligible for PRC EIT of 15% from local tax bureaus.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2021 RMB'000	2020 RMB'000
Profit before taxation	574,120	433,055
Tax at the applicable domestic rates to profit or losses of taxable entities in the countries concerned (note)	68,399	124,275
Tax effect of share of results of joint ventures	40,878	(3,841)
Tax effect of expenses not deductible for tax purposes	56,908	28,502
Tax effect of income not taxable for tax purposes	(16,285)	(20,251)
Effect of tax losses not recognised	66,965	18,731
Utilisation of tax losses previously not recognised	(6,354)	(16,208)
Overprovision of tax in prior years	(4,807)	(12,813)
Reversal of withholding tax on undistributed earnings	(7,339)	–
Income tax expenses for the year	198,365	118,395

7. INCOME TAX EXPENSE (Continued)

note: Upon the commencement of operation of certain subsidiaries during the year ended December 31, 2021, the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated. Accordingly, the comparative figures have been reclassified to conform to the current year's presentation.

8. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and the chief executive's emoluments (Note 9(a))	3,244	3,251
Retirement benefit scheme contributions, excluding directors and the chief executive	350,096	170,607
Equity-settled share-based payments, excluding directors and the chief executive	4,553	(3,261)
Other staff costs	2,406,214	2,339,228
Total staff costs	2,764,107	2,509,825
Auditor's remuneration	5,807	5,164
Depreciation of property, plant and equipment	540,672	541,140
Depreciation of right-of-use assets	1,234,609	1,182,650
Amortisation of intangible assets (included in selling and distribution expenses)	99,913	102,965
Gross rental income from investment properties, net of direct expenses	(4,221)	(3,532)
Net changes in allowance for inventories	32,456	(24,157)

For the years ended December 31, 2021 and 2020, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

For the year ended December 31, 2021, the novel coronavirus (COVID-19) pandemic related government grants/assistances amounted to RMB7,865,000 (2020: RMB155,683,000) were deducted from staff costs.

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS

(a) Directors' and chief executives' emoluments

Details of emoluments of each of the eight (2020: seven) directors of the Company for the year disclosed pursuant to the applicable Listing Rules and CO, are set out as follows:

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2021				
Executive directors:				
Wu, Pan-Tsu	–	–	–	–
Lee, Shao-Wu	–	997	962	1,959
Liao, Yuang-Whang (note)	–	414	–	414
Non-executive directors:				
Tsai Patty, Pei Chun	–	–	–	–
Li I-nan	124	–	–	124
Independent non-executive directors:				
Chen, Huan-Chung	249	–	–	249
Feng Lei Ming	249	–	–	249
Hsieh, Wuei-Jung	249	–	–	249
	871	1,411	962	3,244

note: Liao, Yuang-Whang has been appointed as an executive director of the Company with effect from June 1, 2021.

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

	Fees RMB'000	Salaries and other allowances RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2020				
Executive directors:				
Wu, Pan-Tsu	–	–	–	–
Lee, Shao-Wu	–	991	1,326	2,317
Non-executive directors:				
Tsai Patty, Pei Chun	–	–	–	–
Li I-nan	133	–	–	133
Independent non-executive directors:				
Chen, Huan-Chung	267	–	–	267
Feng Lei Ming	267	–	–	267
Hsieh, Wuei-Jung	267	–	–	267
	934	991	1,326	3,251

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group, and a portion of the emoluments were borne by PCC.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The executive directors other than Liao, Yuang-Whang to who the Group has made RMB8,000 retirement benefit contribution during 2021 (2020: nil), the other executive directors either did not receive any salary or is a member of a pension scheme outside Hong Kong, therefore, the Group was exempted from making contribution to the pension scheme in Hong Kong or other jurisdictions.

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(b) Emoluments of senior management

Of the seven (2020: seven) senior management of the Company for the year ended December 31, 2021, three (2020: two) of them were directors of the Company and their remuneration has been disclosed in Note 9(a). The emoluments of the remaining four (2020: five) individuals for the year are within the following bands.

	2021 Number of employees	2020 Number of employees
Less than HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
HK$4,500,001 to HK$5,000,000	1	–
HK$6,000,001 to HK$6,500,000	1	–
HK$7,000,001 to HK$7,500,000	–	1
	4	5

(c) Five highest paid employees

Of the five (2020: five) employees with the highest emoluments in the Group for the year ended December 31, 2021, none of them (2020: none of them) are directors nor the chief executive of the Company. The emoluments of the five (2020: five) individuals for the year are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other allowances	9,027	8,208
Bonus	8,480	10,755
Equity-settled share-based payment	1,268	2,265
	18,775	21,228

9. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS (Continued)

(c) Five highest paid employees (Continued)

Their emoluments were within the following bands:

	2021 Number of employees	2020 Number of employees
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$4,500,000	1	1
HK$4,500,001 to HK$5,000,000	1	–
HK$5,000,001 to HK$5,500,000	–	1
HK$6,000,001 to HK$6,500,000	1	–
HK$7,000,001 to HK$7,500,000	–	1
	5	5

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid employees (including directors and the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive has waived any emoluments during both years.

(d) Transactions, arrangements or contracts in which directors of the Company have interests

The Company and Yue Yuen entered into a framework agreement on November 13, 2018, pursuant to which, the Company may, through its subsidiaries, purchase from Yue Yuen's subsidiaries, jointly controlled entities and associates, and/or any factories operated and/or appointed by members of the Yue Yuen's subsidiaries, jointly controlled entities and associates footwear products, for three years from January 1, 2019 to December 31, 2021, subject to the various annual caps.

Mr. Wu, Pan-Tsu was interested in 40,000 shares in Yue Yuen, and all of them were awarded shares which remained unvested and subject to certain vesting conditions in 2020. 94,000 awarded shares in Yue Yuen were vested and disposed of during the year ended December 31, 2021.

Mr. Lee, Shao-Wu was interested in 213,000 (2020: 78,000) shares in Yue Yuen, and 60,000 of them were awarded shares which remained unvested and subject to certain vesting conditions.

Mr. Liao, Yuang-Whang was interested in 30,000 (2020: nil) shares in Yue Yuen, and all of them were awarded shares which remained unvested and subject to certain vesting conditions.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both years. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK$0.016 (2020: nil) per ordinary share, in an aggregate amount of HK$85,219,000 (2020: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

11. 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:

	2021 RMB'000	2020 RMB'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	356,587	302,840

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,194,816,603	5,264,380,698
Effect of dilutive potential ordinary shares:		
– share options	–	28,563
– unvested awarded shares	17,765,765	30,465,111
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,212,582,368	5,294,874,372

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 (see Note 27(b)). The computation of diluted earnings per share for the years ended December 31, 2021 and 2020 does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market price of shares for the years ended December 31, 2021 and 2020.

12. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At January 1, 2020 and December 31, 2020	94,700
Decrease in fair value recognised in profit or loss	(5,800)
At December 31, 2021	88,900

The Group leases out various shopping mall spaces under operating leases. The leases typically run for an initial period of 2 to 15 years. The leases of retail stores contain minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at December 31, 2021 and 2020, the fair value of the Group's investment properties situated in the PRC has been arrived at based on a valuation carried out by APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation") which is an independent qualified professional valuer. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties. The market yield is determined by reference to the yields derived from analysing the rental and market price of similar properties in the PRC.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change from the valuation technique used in the prior year.

All of the Group's investment properties are commercial properties located in the PRC and classified as Level 3 fair value hierarchy. There were no transfers into or out of Level 3 during the year.

One of the key inputs used in valuing the investment properties was the market yield, which ranged from 4.3% to 6.0% (2020: 3.7% to 6.4%). A significant increase in the market yield used would result in a significant decrease in fair value measurement of the respective investment properties, and vice versa.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Office and shopping mall buildings RMB'000	Training buildings and warehouses RMB'000	Plant and machinery RMB'000	Leasehold improvements RMB'000	Furniture, fixture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST								
At January 1, 2020	58,523	74,097	359,538	37,882	1,919,823	378,697	24,455	2,853,015
Additions	–	–	–	2,130	458,038	92,236	1,352	553,756
Disposals	–	–	–	–	(333,561)	(14,712)	(2,187)	(350,460)
Exchange realignment	–	–	–	–	(202)	(126)	(12)	(340)
At December 31, 2020	58,523	74,097	359,538	40,012	2,044,098	456,095	23,608	3,055,971
Additions	–	–	–	101	363,872	49,476	1,939	415,388
Acquired on acquisition of a subsidiary	–	–	–	–	171	585	–	756
Disposals	–	–	–	(3)	(319,873)	(14,808)	(2,622)	(337,306)
Exchange realignment	–	–	–	–	(350)	(205)	(18)	(573)
At December 31, 2021	58,523	74,097	359,538	40,110	2,087,918	491,143	22,907	3,134,236
DEPRECIATION AND IMPAIRMENT								
At January 1, 2020	18,490	8,694	174,424	34,582	1,024,268	222,411	15,960	1,498,829
Provided for the year	1,249	2,019	12,235	300	453,406	69,946	1,985	541,140
Eliminated on disposals	–	–	–	–	(263,527)	(12,657)	(1,887)	(278,071)
Exchange realignment	–	–	–	–	(92)	(71)	(3)	(166)
At December 31, 2020	19,739	10,713	186,659	34,882	1,214,055	279,629	16,055	1,761,732
Provided for the year	1,249	2,019	12,235	473	455,293	67,278	2,125	540,672
Eliminated on disposals	–	–	–	(1)	(273,820)	(13,841)	(2,355)	(290,017)
Exchange realignment	–	–	–	–	(109)	(111)	(5)	(225)
At December 31, 2021	20,988	12,732	198,894	35,354	1,395,419	332,955	15,820	2,012,162
CARRYING VALUE								
At December 31, 2021	37,535	61,365	160,644	4,756	692,499	158,188	7,087	1,122,074
At December 31, 2020	38,784	63,384	172,879	5,130	830,043	176,466	7,553	1,294,239

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

All buildings, office and shopping mall buildings and factory buildings and warehouses are erected on land with medium-term land use rights in the PRC.

In addition, the Group owns several office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements as at December 31, 2021 was RMB70,541,000 (2020: RMB140,010,000).

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings/office and shopping mall buildings/training buildings and warehouses	2% - 3% or shorter of the lease term
Plant and machinery	5% - 15%
Leasehold improvements	10% - 50% or shorter of the lease term
Furniture, fixture and equipment	20% - 30%
Motor vehicles	20% - 30%

14. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Retail stores RMB'000	Warehouses RMB'000	Office buildings RMB'000	Total RMB'000
As at December 31, 2021					
Carrying amount	102,943	2,614,858	79,051	93,367	2,890,219
As at December 31, 2020					
Carrying amount	106,150	2,977,289	89,036	74,466	3,246,941
For the year ended December 31, 2021					
Depreciation charge	3,207	1,158,138	28,089	45,175	1,234,609
For the year ended December 31, 2020					
Depreciation charge	3,207	1,106,564	36,613	36,266	1,182,650

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	127,852	120,657
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	79	214
Variable lease payments not included in the measurement of lease liabilities	1,219,114	1,263,918
Total cash outflow for leases	2,670,303	2,604,916
Additions to right-of-use assets, net of early termination and modification	877,918	1,497,735

14. RIGHT-OF-USE ASSETS (Continued)

The Group leases various leasehold lands, retail stores, warehouses and office buildings for its operations. Majority of the lease contracts are entered into for lease term of 2 to 5 years (2020: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at December 31, 2021, the portfolio of short-term leases is similar to those entered in 2020. The short-term lease expense were approximately RMB127,852,000 during the year ended December 31, 2021 (2020: RMB120,657,000).

Leases of properties are either with only fixed lease payments or contain variable lease payment that are based on certain percentage of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses.

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

Rent concessions

The changes in lease payments due to rent concessions constitute lease modifications. During the current year, reduction of the Group's lease liabilities of RMB49,308,000 (2020: RMB195,832,000) and a corresponding adjustment of the same amount to the right-of-use assets were recognised because of lease modifications made during the year.

Lease committed

As at December 31, 2021, the Group entered into new leases for several retail stores that have not yet commenced, with average non-cancellable period ranging from 1 to 5 years (2020: 3 to 5 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB15,314,508 (2020: RMB100,153,000).

15. INTANGIBLE ASSETS

	Brand names RMB'000	Licensing agreements RMB'000	Non-compete agreements RMB'000	Total RMB'000
COST				
At January 1, 2020	467,340	100,572	158,534	726,446
Exchange realignment	–	(3)	–	(3)
At December 31, 2020	467,340	100,569	158,534	726,443
Exchange realignment	–	(44)	–	(44)
Write off	–	(63,200)	–	(63,200)
At December 31, 2021	467,340	37,325	158,534	663,199
AMORTISATION AND IMPAIRMENT				
At January 1, 2020	298,604	73,127	71,404	443,135
Provided for the year	84,369	10,158	8,438	102,965
Exchange realignment	–	(8)	–	(8)
At December 31, 2020	382,973	83,277	79,842	546,092
Provided for the year	84,367	7,107	8,439	99,913
Impairment loss recognised in the year	–	10,172	–	10,172
Exchange realignment	–	(31)	–	(31)
Write off	–	(63,200)	–	(63,200)
At December 31, 2021	467,340	37,325	88,281	592,946
CARRYING VALUE				
At December 31, 2021	–	–	70,253	70,253
At December 31, 2020	84,367	17,292	78,692	180,351

The management of the Group considers brand names, licensing agreements and non-compete agreements have finite useful lives and are amortised on a straight-line basis over the following periods:

Brand names	5 years
Licensing agreements	10 years
Non-compete agreements	5 to 20 years

During the year ended December 31, 2021, full impairment loss of RMB10,172,000 has been recognised on an intangible asset of licencing agreement as it is not expected to generate a significant future cash flow from this licencing agreement in the forecesable future.

16. GOODWILL

	RMB'000
COST	
At January 1, 2020	533,247
Exchange realignment	(5)
At December 31, 2020	533,242
Exchange realignment	(86)
At December 31, 2021	533,156
IMPAIRMENT	
At January 1, 2020	–
Impairment loss recognised in the year	11,174
Exchange realignment	(95)
At December 31, 2020	11,079
Exchange realignment	(86)
At December 31, 2021	10,993
CARRYING VALUE	
At December 31, 2021	522,163
At December 31, 2020	522,163

For the purpose of impairment assessment, goodwill of the Group is allocated to several groups of CGUs which are engaged in the business of 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 basis of recoverable amount of each of the above groups of CGUs has been determined based on the higher of its value in use calculation and fair value less costs of disposal, and assessed by the management as at December 31, 2021 and 2020.

16. GOODWILL (Continued)

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and pre-tax discount rates ranging from 19% to 20% (2020: from 16% to 17%), determined by an independent qualified professional valuer, APAC Asset Valuation for the groups of CGUs. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2020: 3%) for all of the above groups of CGUs. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on above groups of CGUs' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the above groups of CGUs to fall below its carrying amount.

17. INTERESTS IN JOINT VENTURES/NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Cost of unlisted investments in joint ventures	27,100	390,515
Share of post-acquisition losses, net of dividends received	(27,100)	(11,736)
	–	378,779

In December 2020, the Group completed the partial disposal of its 15% out of the 50% equity interests in a joint venture to the joint venture partner for a consideration of RMB8,748,000 and the remaining equity interests in the joint venture held by the Group have been presented as non-current assets held for sale. The Group received consideration of RMB15,755,000 in advance for the remaining interests in the joint venture. During the year ended December 31, 2021, the Group disposed and transferred the remaining 35% equity interests to the joint venture partner, after received the remaining consideration of RMB4,657,000. No disposal gain or loss was recognised form the disposal.

On December 31, 2021, the Group entered into an equity interest transfer agreement with another joint venture partner to acquire its equity interest of Kunshan Baowei Information Technology Co., Ltd. ("Kunshan Baowei") (Note 4). During the year ended December 31, 2021, the share of loss from Kunshan Baowei amounted to RMB163,512,000 mainly due to the clearance of the inventories with relatively low margins. The management of the Company considers that the Group has obtained control over Kunshan Baowei on December 31, 2021. Accordingly, Kunshan Baowei is accounted for as an indirect wholly-owned subsidiary of the Company on December 31, 2021.

18. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	(56,145)	(64,288)
Deferred tax liabilities	26,207	60,442
	(29,938)	(3,846)

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during current and prior years:

	Undistributed earnings of PRC and overseas entities RMB'000	Fair value adjustments of intangible assets on business combination RMB'000	Right-of-use assets/ related lease liabilities RMB'000	Tax losses RMB'000	Total RMB'000
At January 1, 2020	17,085	68,573	(9,313)	–	76,345
Credit to profit or loss (Note 7)	–	(25,217)	(17,575)	(37,400)	(80,192)
Exchange realignment	–	1	–	–	1
At December 31, 2020	17,085	43,357	(26,888)	(37,400)	(3,846)
(Credit) charge to profit or loss (Note 7)	(7,339)	(27,000)	(5,054)	13,197	(26,196)
Exchange realignment	–	104	–	–	104
At December 31, 2021	9,746	16,461	(31,942)	(24,203)	(29,938)

18. DEFERRED TAX ASSETS/LIABILITIES (Continued)

As at December 31, 2021, the Group had unused tax losses of approximately RMB1,171,396,000 (2020: approximately RMB859,547,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB96,812,000 (2020: RMB149,600,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB1,074,584,000 (2020: approximately RMB709,947,000) due to unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB8,489 million (2020: approximately RMB7,970 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Sportswear and footwear products	7,578,037	5,869,541

20. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables (note i)	1,165,003	1,702,963
Deposits, prepayments and other receivables	1,642,376	1,657,243
	2,807,379	3,360,206
Deposits, prepayments and other receivables represent:		
Rental deposits and prepaid rentals	164,397	178,958
Deposits and prepayments paid to suppliers	1,001,350	735,630
Value-added tax recoverable	278,660	255,636
Loan to a joint venture (note ii)	–	264,000
Amounts due from related parties (note iii)	313	11,718
Amount due from a non-controlling interest of a subsidiary (note iv)	34,000	34,000
Other prepaid expenses	113,028	110,031
Other deposits and receivables	50,628	67,270
	1,642,376	1,657,243

notes:

(i) The amounts include trade receivables from a joint venture of nil (2020: RMB426,347,000).

(ii) As at December 31, 2020, the amount is unsecured, carries fixed interest rate of 4.35% per annum and is expected to be recovered within one year. The amount has been fully settled during 2021 as detailed in Note 37(i).

(iii) The amount represents interest receivable from a joint venture of nil (2020: RMB5,965,000), other receivable from certain joint ventures of RMB313,000 (2020: RMB5,453,000) and certain entities controlled by subsidiaries of Yue Yuen of nil (2020: RMB300,000), and are unsecured, interest-free and have no fixed term of repayment.

(iv) The amount is unsecured, carries fixed interest rate of 6.53% (2020: 6.53%) per annum and is repayable within three month from the date of advance.

20. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new wholesale customer, the Group has assessed the potential customer's credit quality and defines credit rating limits for each wholesale customer. Limits attributed to customers are reviewed periodically. For the sales through counters in department stores, the Group periodically reviews the settlement status of these department stores.

The Group generally allows 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:

	2021 RMB'000	2020 RMB'000
0 – 30 days	1,105,075	1,634,315
31 – 90 days	59,225	68,601
Over 90 days	703	47
	1,165,003	1,702,963

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,217,000 (2020: RMB47,000) which are past due over 60 days at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Trade receivables which are neither past due nor impaired are in good quality with satisfactory repayment history in the past.

Details of impairment assessment of trade and other receivables for the year ended December 31, 2021 and 2020 are set out in Note 34(b).

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21. BANK BALANCES AND CASH

The bank balances are interest-bearing at market interest rates. All deposits have an original maturity of three months or less.

During the year ended December 31, 2021, the bank deposits carried variable interest rates ranging from 0.01% to 3.00% (2020: 0.01% to 3.00%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2021 RMB'000	2020 RMB'000
United States dollars ("USD")	5,731	9,244
Hong Kong dollars	627	1,855
RMB	43	299
	6,401	11,398

22. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables (note i)	1,655,096	1,466,360
Deposits from customers	308,687	370,361
Amounts due to related parties (note ii)	3,591	39,022
Accrued staff costs	485,522	450,429
Sales discount and rebate to customers	160,534	81,000
Renovation costs payables	121,403	174,207
Short-term leases, leases of low-value assets and variable lease payments payables	66,192	83,628
Storage fee payables	22,895	11,258
Sales received on behalf of concessionary sales customers	93,603	109,211
Other tax payables	149,186	133,769
Interest payables	7,661	8,935
Accrued operating expenses	291,581	306,271
Consideration payable for acquisition of a subsidiary (note iii)	176,128	–
	3,542,079	3,234,451

22. TRADE AND OTHER PAYABLES (Continued)

notes:

(i) The amounts include trade payable to subsidiaries of Yue Yuen of RMB1,720,000 (2020: RMB1,339,000) and trade payable to a joint venture of nil (2020: RMB27,275,000).

(ii) The amounts represent amount due to a non-controlling interest of a subsidiary of RMB2,800,000 (2020: RMB2,800,000) which is unsecured, expected to be repaid within one year and carries fixed interest rate of 4.35% (2020: 4.35%) per annum and amount due to Yue Yuen and its subsidiaries of RMB543,000 (2020: RMB45,000) and PCC and its subsidiaries of RMB248,000 (2020: RMB27,000) and a joint venture of nil (2020: RMB36,150,000), which are unsecured, interest-free and repayable on demand.

(iii) The consideration payable (Note 28) is expected to be settled by transfer of a portion of inventories which the Group received for settlement of amount due from Kunshan Baowei as set out in Note 37(i).

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

	2021 RMB'000	2020 RMB'000
0 – 30 days	1,654,102	1,451,157
31 – 90 days	10	8,033
Over 90 days	984	7,170
	1,655,096	1,466,360

The credit period for payment of purchases of goods is ranging from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

23. CONTRACT LIABILITIES

Contract liabilities mainly included prepayments received from wholesale customers when they sign the sale and purchase agreements. They are expected to be recognised as revenue within one year upon receipt, and were recognised as revenue in current period upon the satisfaction of performance obligation, i.e. the delivery of goods to customers. The decrease (2020: increase) in contract liabilities in the current year was mainly due to the increased (2020: decreased) utilisation of customer deposit before the period end.

As at January 1, 2020, contract liabilities amounted to RMB414,969,000.

24. BANK BORROWINGS

The bank borrowings amounting to RMB1,581,640,000 (2020: RMB1,948,679,000) are unsecured, interest-bearing, and repayable within one year.

	2021 RMB'000	2020 RMB'000
Fixed rate borrowings	1,564,360	1,897,131
Variable rate borrowings	17,280	51,548
	1,581,640	1,948,679

The Group's variable rate borrowings carry interests at margins over HIBOR or Loan Prime Rate ("LPR"), as appropriate. Interest is repriced every one to twelve months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed rate borrowings	1.11% – 4.35%	1.25% – 5.00%
Variable rate borrowings	1.36% – 1.57%	1.25% – 1.57%

25. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	978,018	1,047,232
Within a period of more than one year but not exceeding two years	646,073	735,014
Within a period of more than two years but not exceeding five years	855,649	974,950
Within a period of more than five years	341,142	374,091
	2,820,882	3,131,287
Less: Amount due for settlement within one year shown under current liabilities	(978,018)	(1,047,232)
Amount due for settlement after one year shown under non-current liabilities	1,842,864	2,084,055

The incremental borrowing rates applied to lease liabilities in the PRC, Hong Kong and Taiwan range from 1.00% to 4.65% (2020: from 2.00% to 4.80%).

26. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2020, December 31, 2020 and 2021	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2020	5,356,472,615	53,564
Exercise of share options	375,000	4
At December 31, 2020	5,356,847,615	53,568
Repurchase of own shares (note)	(30,668,000)	(307)
At December 31, 2021	5,326,179,615	53,261

	2021 RMB'000	2020 RMB'000
Shown in the consolidated financial statements as at December 31	46,438	46,688

note: During the year ended December 31, 2021, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares of HK$0.01 each repurchased	Price per share Highest price paid HK$	Price per share Lowest price paid HK$	Aggregate consideration paid HK$'000
December 2021	30,668,000	1.25	1.10	37,175

The aggregate consideration paid (including direct cost and cancellation cost) of HK$37,175,000 was equivalent to approximately RMB30,359,000.

27. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a shareholders' resolution passed on May 14, 2008 and amended on March 7, 2012 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and has expired on May 13, 2018. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible persons, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Group's shareholders, (i) the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at date of listing; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time; and (iii) options in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors or any of their respective associates, in the twelve-month period up to and including the date of such grant.

Options are exercisable over the vesting periods to be determined by the board of directors of the Company, but in no case after the tenth anniversary of the date of grant. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the closing price of the Company's 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 Company's share.

27. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(a) Share Option Scheme (Continued)

The following tables disclose movements in the Company's share options under the Share Option Scheme during the two years ended December 31, 2021:

				Number of share options					
	Date of grant	Exercise price HK$	Exercisable period	Outstanding at January 1, 2020	Exercised during the year	Lapsed during the year	Outstanding at December 31, 2020	Lapsed during the year	Outstanding at December 31, 2021
Current and former employees of the Group	07.03.2012	1.050	07.03.2013 – 06.03.2020	375,000	(375,000)	–	–	–	–
	14.11.2016	2.494	01.09.2018 – 01.09.2020	1,166,320	–	(1,166,320)	–		
	14.11.2016	2.494	01.09.2019 – 01.09.2021	1,166,320	–	–	1,166,320	(1,166,320)	–
	14.11.2016	2.494	01.09.2020 – 01.09.2022	2,332,640	–	(2,332,640)	–	–	–
	14.11.2016	2.494	01.09.2021 – 01.09.2023	5,831,590	–	(5,831,590)	–	–	–
Total				10,871,870	(375,000)	(9,330,550)	1,166,320	(1,166,320)	–
Exercisable as at January 1, 2020, December 31, 2020 and December 31, 2021				2,707,640			1,166,320		–

In respect of the share options exercised in 2020, the weighted average share price at the dates of exercise was HK$2.00.

During the year ended December 31, 2021, 1,166,320 (2020: 1,166,320) share options were lapsed as they were not exercised within the exercisable period and nil (2020: 8,164,230) share options were lapsed as vesting conditions were not met.

During the year ended December 31, 2021, the Group recognised nil (2020: net income of RMB4,971,000) as equity-settled share-based payments in the consolidated income statement under the Share Option Scheme with reference to the share options' respective vesting periods and the share options lapsed prior to their vesting dates.

27. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a board resolution passed on May 9, 2014 and amended on November 11, 2016. The objective of the Share Award Scheme is to recognise the contributions by certain persons, including directors of the Company and employees of the Group (the "Selected Participants") and to provide incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on May 9, 2014 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Share Award Scheme is operated through a trustee which is independent of the Group. After the notification and instruction by the Company, the trustee has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company.

The board of directors of the Company would notify the trustee of the Share Award Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the Selected Participant. Vesting of the award shares will be conditional on the Selected Participants remaining an employee of the Group on a vesting date and the board of directors has not determined to vary or cancel such an award for any reason (including but not limited to exceptionally poor performance, misconduct or material breach of the terms of employment or rules or policies of the Company). An award shall automatically lapse forthwith when a Selected Participant has taken unpaid leave of absence and does not return to work before the expiry of 24 months from the original vesting date, or ceases to be an employee of the Group, or the subsidiary employing the Selected Participant ceases to be a subsidiary of the Company, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, or Selected Participant's employment is terminated for cause if the award has not been vested.

The Company has not purchased any share for share award scheme during the year ended December 31, 2021 (2020: purchased 84,270,000 ordinary shares). A total of 156,485,560 ordinary shares of the Company were held by the trustee of the Share Award Scheme as at December 31, 2021 (2020: 168,502,560 ordinary shares).

27. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme (Continued)

The following table discloses movements in the Company's share awards under the Share Award Scheme during the two years ended December 31, 2021:

	Date of grant	Vesting date	Number of share awards outstanding at January 1, 2020	Granted during the year	Lapsed during the year	Vested during the year	Number of share awards outstanding at December 31, 2020	Granted during the year	Lapsed during the year	Vested during the year	Number of share awards outstanding at December 31, 2021
Director											
Lee, Shao-Wu	25.03.2017	25.03.2020	400,000	-	-	(400,000)	-	-	-	-	-
	11.08.2018	11.09.2020	300,000	-	-	(300,000)	-	-	-	-	-
	11.08.2018	11.03.2021	500,000	-	-	-	500,000	-	-	(500,000)	-
	23.03.2019	23.09.2020	200,000	-	-	(200,000)	-	-	-	-	-
	23.03.2019	23.09.2021	300,000	-	-	-	300,000	-	-	(300,000)	-
	23.03.2019	23.03.2022	500,000	-	-	-	500,000	-	-	-	500,000
	31.03.2020	31.03.2021	-	500,000	-	-	500,000	-	-	(500,000)	-
	31.03.2020	31.03.2022	-	500,000	-	-	500,000	-	-	-	500,000
	31.03.2020	31.03.2023	-	500,000	-	-	500,000	-	-	-	500,000
	24.03.2021	24.09.2022	-	-	-	-	-	100,000	-	-	100,000
	24.03.2021	24.09.2023	-	-	-	-	-	150,000	-	-	150,000
	24.03.2021	24.03.2024	-	-	-	-	-	250,000	-	-	250,000
Employees	14.11.2016	01.09.2020	1,667,360	-	(1,667,360)	-	-	-	-	-	-
	14.11.2016	01.09.2021	4,168,410	-	(4,168,410)	-	-	-	-	-	-
	25.03.2017	25.03.2020	4,031,000	-	(126,000)	(3,905,000)	-	-	-	-	-
	03.07.2017	03.07.2020	300,000	-	(300,000)	-	-	-	-	-	-
	14.11.2017	14.11.2020	3,200,000	-	(1,000,000)	(2,200,000)	-	-	-	-	-
	11.08.2018	01.07.2020	210,000	-	(210,000)	-	-	-	-	-	-
	11.08.2018	01.01.2021	350,000	-	(350,000)	-	-	-	-	-	-
	11.08.2018	11.09.2020	4,976,400	-	(189,600)	(4,786,800)	-	-	-	-	-
	11.08.2018	11.03.2021	8,294,000	-	(316,000)	-	7,978,000	-	(90,000)	(7,888,000)	-
	23.03.2019	23.09.2020	2,407,200	-	(191,200)	(2,216,000)	-	-	-	-	-
	23.03.2019	23.09.2021	3,610,800	-	(303,600)	-	3,307,200	-	(478,200)	(2,829,000)	-
	23.03.2019	23.03.2022	6,018,000	-	(506,000)	-	5,512,000	-	(991,500)	-	4,520,500
	23.03.2019	01.10.2020	112,000	-	(112,000)	-	-	-	-	-	-
	23.03.2020	01.10.2021	168,000	-	(168,000)	-	-	-	-	-	-
	23.03.2019	01.04.2022	280,000	-	(280,000)	-	-	-	-	-	-
	15.11.2019	15.12.2020	750,000	-	(750,000)	-	-	-	-	-	-
	24.03.2021	24.09.2022	-	-	-	-	-	1,568,000	(126,600)	-	1,441,400
	24.03.2021	24.09.2023	-	-	-	-	-	2,352,000	(189,900)	-	2,162,100
	24.03.2021	24.03.2024	-	-	-	-	-	3,920,000	(316,500)	-	3,603,500
	13.08.2021	13.02.2023	-	-	-	-	-	460,800	(12,800)	-	448,000
	13.08.2021	13.02.2024	-	-	-	-	-	691,200	(19,200)	-	672,000
	13.08.2021	13.08.2024	-	-	-	-	-	1,152,000	(32,000)	-	1,120,000
Total			42,743,170	1,500,000	(10,638,170)	(14,007,800)	19,597,200	10,644,000	(2,256,700)	(12,017,000)	15,967,500

27. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (Continued)

(b) Share Award Scheme (Continued)

The closing prices of the Company's shares immediately before the grant of the share awards on August 13, 2021 was HK$1.57 per share, on March 24, 2021 was HK$1.78 per share and on March 31, 2020 was HK$1.45.

During the year ended December 31, 2021, the Group recognised a net expense of RMB5,515,000 (2020: RMB3,036,000) as equity-settled share-based payments in the consolidated income statement under the Share Award Scheme with reference to the share awards' respective vesting periods and the share awards lapsed prior to their vesting dates.

28. ACQUISITION OF A SUBSIDIARY

On December 31, 2021, Yue Cheng (Kunshan) Sports Co., Ltd, an indirect wholly owned subsidiary of the Company incorporated in the PRC (the "Purchaser"), Vipshop (China) Co., Ltd., a limited company incorporated in the PRC (the "Vendor"), and Kunshan Baowei, a joint venture of the Group incorporated in the PRC with 55% equity interest owned by the Purchaser and 45% equity interest owned by the Vendor entered into an equity interest transfer agreement. Pursuant to the equity interest transfer agreement, the Vendor agreed to sell 45% equity interest in Kunshan Baowei to the Purchaser (the "Acquisition"). The consideration of the Acquisition shall be equal to an amount which is equivalent to 45% of the consolidated net asset value of Kunshan Baowei as at December 31, 2021 (the "Consideration"), and shall be funded and settled by way of transfer of inventories from Purchaser to Vendor with fair value equivalent to the Consideration. The Group considered the settlement of Consideration through transfer of inventories does not constitute a contract with customer and the transaction was not within the ordinary activities of the Group. Accordingly, RMB176,128,000 was recorded as Consideration payable. Kunshan Baowei became an indirect wholly owned subsidiary of the Company on December 31, 2021 (Note 4(a)(ii)). The Acquisition has been accounted for as acquisition of business using the acquisition method.

Details of the acquisition were set out in the announcement of the Company dated December 31, 2021.

28. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Plant and equipment	756
Right-of-use assets	3,465
Inventories	549,922
Trade and other receivables	129,237
Amounts due from subsidiaries of the Company	167,068
Taxation recoverable	3,937
Bank balances and cash	9,456
Trade and other payables	(125,896)
Amounts due to subsidiaries of the Company	(192,459)
Taxation payable	(626)
Lease liabilities	(3,465)
Bank borrowings	(150,000)
	391,395

The receivables acquired (which principally comprised trade and other receivables and amounts due from subsidiaries of the Company) with a fair value of RMB296,305,000 at the date of acquisition had gross contractual amounts of RMB319,189,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB22,884,000.

Consideration transferred

	RMB'000
Consideration payable (Note 22)	176,128
Plus: interest in a joint venture upon remeasurement to fair value	215,267
Less: recognised amounts of net assets acquired	(391,395)
	–

Cash inflow

	RMB'000
Cash and cash equivalents balances acquired	9,456

28. ACQUISITION OF A SUBSIDIARY (Continued)

Impact of acquisition on the result of the Group

For the year ended December 31, 2021, the revenue and loss and other comprehensive expense for the year of Kunshan Baowei were RMB2,167,364,000 and RMB297,294,000 respectively. Had the Acquisition been completed on January 1, 2021, revenue for the year of the Group would have been RMB23,658,364,000, and profit for the year would have been RMB241,973,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Kunshan Baowei been acquired at the beginning of the current year, the directors of the Company calculated depreciation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Dividends payable to a non-controlling interest of a subsidiary RMB'000	Interest payables RMB'000 (Note 22)
At January 1, 2020	2,714,997	3,545,995	–	23,747
Financing cash flows	(1,198,174)	(1,597,226)	–	(126,785)
New leases/lease modification/lease termination	1,474,576	–	–	–
Foreign exchange translation	36	(90)	–	–
Interest expenses	139,852	–	–	111,973
At December 31, 2020	3,131,287	1,948,679	–	8,935
Financing cash flows	(1,300,881)	(516,342)	(28,000)	(69,277)
New leases/lease modification/lease termination	852,076	–	–	–
Foreign exchange translation	6	(697)	–	–
Interest expenses	134,929	–	–	68,003
Acquisition of a subsidiary	3,465	150,000	–	–
Dividend declared	–	–	28,000	–
At December 31, 2021	2,820,882	1,581,640	–	7,661

30. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a MPF Schemes for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Schemes, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The total cost of RMB350,104,000 (2020: RMB170,607,000) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year.

During the year ended December 31, 2021 and 2020, the Group had no forfeited contributions under the retirement benefits schemes utilised to reduce future contributions.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

31. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Certain of the Group's properties have committed leases for its tenants for undiscounted lease payments receivables over non-cancellable period from two years to fifteen years as follow:

	2021 RMB'000	2020 RMB'000
Within one year	4,024	3,971
In the second year	4,024	3,670
In the third year	4,024	3,670
In the fourth year	4,024	3,670
In the fifth year	3,817	3,670
Over five years	17,444	21,101
	37,357	39,752

32. RELATED PARTY DISCLOSURES

(a) Transactions

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions:

Relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
Yue Yuen and its subsidiaries	Purchase of footwear products by the Group	6,506	6,427
	Operating lease payment	1,236	1,287
	Management fees charged to the Group	3,023	2,206
PCC and its subsidiaries	Management fees charged to the Group	1,995	2,143
	Interest expenses charged to the Group	–	10,926
Joint venture of the Group	Sales of sportswear products by the Group (note)	1,623,754	2,782,655
	Purchase of sportswear products by the Group	235,481	391,622
	Logistic service income charged by the Group	36,553	32,158
	Other service income charged by the Group	180,749	24,807
	Management fees charged to the Group	273,033	245,878
	Interest income receivable by the Group	10,727	5,628

note: The sales of sportswear products to a joint venture contributed over 10% of total revenue of the Group in 2020 and no customer contributed over 10% of the total revenue of the Group in 2021.

32. RELATED PARTY DISCLOSURES (Continued)

(b) Compensation of key management personnel

	2021 RMB'000	2020 RMB'000
Short term benefits	24,448	26,659
Equity-settled share-based payments	2,585	4,062
	27,033	30,721

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

(c) During the year ended December 31, 2021, amount due from a joint venture of RMB264,000,000 has been settled by transfer of inventories with fair value of RMB264,000,000 from Kunshan Baowei.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include the borrowings disclosed in Note 24, lease liabilities in Note 25, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, directors of the Company assess the annual budget prepared by the accounting, treasury and all functional departments and consider and evaluate the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debt or the redemption of the existing debt.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Amortised cost	2,571,174	3,920,801
Equity instrument at FVTOCI	3,019	3,149
Financial liabilities		
Amortised cost	4,077,471	4,060,891
Lease liabilities	2,820,882	3,131,287

(b) Financial risk management objectives and policies

The Group's major financial instruments include an equity instrument at FVTOCI, trade and other receivables, amounts due from related parties, amount due from a non-controlling interest of a subsidiary, bank balances and cash, trade and other payables, amounts due to related parties, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no changes to the policies on how to mitigate these risks.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 21) and bank borrowings (Note 24). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate amount due from a non-controlling interest of a subsidiary (Note 20), bank borrowings (Note 24) and lease liabilities (Note 25).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of HIBOR and LPR are the major sources of the Group's cash flow interest rate risks.

The management considers the exposure of interest rate risk is not significant. Accordingly, no sensitivity analysis is performed.

Credit risk and impairment assessment

As at December 31, 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which covered over 99% (2020: over 99%) of its total receivables as at December 31, 2021. There is no significant concentration of credit risk on trade receivables.

The Group's customer base is diverse and the trade receivables consist of a large number of customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals for its wholesale customers, and for other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts for both wholesale customers and shopping malls. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment on trade receivables and other financial assets comprise the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit -impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit -impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit -impaired	Lifetime ECL - not credit -impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit -impaired	Lifetime ECL - credit -impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2021 RMB'000	Gross carrying amount 2020 RMB'000
Financial assets at amortised cost					
Trade receivables	20	(note 2)	Lifetime ECL (Provision matrix)	1,165,003	1,702,963
		Loss	Credit-impaired	27,223	34,129
				1,192,226	1,737,092
Amounts due from related parties and a joint venture	20	Low risk	12m ECL	313	275,718
Amount due from a non-controlling interest of a subsidiary	20	Low risk	12m ECL	34,000	34,000
Bank balances and cash	21	(note 1)	12m ECL	1,233,783	1,742,290
Other receivables	20, 6(a)	Low risk/ watch list	12m ECL	138,075	165,830
		Loss	Credit-impaired	44,482	43,904
				182,557	209,734

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

notes:

1. The credit risk on bank balance is limited because the counterparties are banks with reputable credit ratings.

2. The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by aging of receivables. The directors of the Company considered the loss allowance at lifetime ECL on trade receivables calculated based on provision matrix is insignificant.

Provision matrix – trade receivables' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its Retail Business because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at December 31, 2021 and 2020 within lifetime ECL (not credit-impaired).

Trade receivables	2021 RMB'000	2020 RMB'000
Current (not past due)	1,102,576	1,642,164
1 – 120 days past due	62,427	60,799
	1,165,003	1,702,963

The average loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about trade receivables is updated.

Debtors that are credit-impaired with gross carrying amounts of RMB27,223,000 (2020: RMB34,129,000) were assessed individually.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix – trade receivables' aging (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) RMB'000
As at January 1, 2020	63,415
– Impairment losses reversed	(584)
– Write-offs	(28,702)
As at December 31, 2020	34,129
– Impairment losses reversed	(4,524)
– Write-offs	(2,382)
As at December 31, 2021	27,223

The Group considers the trade receivables are credit-impaired mainly when they are past due for more than 120 days based on past experience, and writes off a trade receivable when there is information indicating that the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The Group has taken legal action to recover certain trade receivables that have been written off.

Liquidity risk

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in Note 24.

With regard to the Group's liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the contractual maturity of the Group's financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is based on the interest rate at the end of the reporting periods.

	Weighted average interest rate %	0 to 30 days RMB'000	31 to 90 days RMB'000	91 to 365 days RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2021								
Non-interest bearing	–	2,492,037	10	984	–	–	2,493,031	2,493,031
Fixed interest rate instruments	3.53	875,667	630,365	66,442	–	–	1,572,474	1,567,160
Variable interest rate instruments	1.57	17,280	–	–	–	–	17,280	17,280
Lease liabilities	4.16	98,063	278,996	696,434	1,649,077	372,346	3,094,916	2,820,882
		3,483,047	909,371	763,860	1,649,077	372,346	7,177,701	6,898,353

	Weighted average interest rate %	0 to 30 days RMB'000	31 to 90 days RMB'000	91 to 365 days RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2020								
Non-interest bearing	–	2,094,209	8,033	7,170	–	–	2,109,412	2,109,412
Fixed interest rate instruments	3.58	829,877	508,186	579,995	–	–	1,918,058	1,899,931
Variable interest rate instruments	1.30	23,220	28,389	–	–	–	51,609	51,548
Lease liabilities	4.15	102,425	301,959	762,153	1,900,521	428,765	3,495,823	3,131,287
		3,049,731	846,567	1,349,318	1,900,521	428,765	7,574,902	7,192,178

The amounts included above for variable interest rate instruments are subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	194	392
Investments in subsidiaries	4,390,148	4,456,611
	4,390,342	4,457,003
CURRENT ASSETS		
Other receivables	17,125	1,287
Amounts due from subsidiaries	1,531,235	1,672,114
Bank balances and cash	3,196	6,723
	1,551,556	1,680,124
CURRENT LIABILITIES		
Other payables	18,475	20,689
Amounts due to subsidiaries	485,318	244,115
Bank borrowings	1,003,560	1,360,060
	1,507,353	1,624,864
NET CURRENT ASSETS	44,203	55,260
NET ASSETS	4,434,545	4,512,263
CAPITAL AND RESERVES		
Share capital	46,438	46,688
Reserves (note)	4,388,107	4,465,575
	4,434,545	4,512,263

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

note:

Movement in the Company's reserves:

	Reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
At January 1, 2020	4,346,160	317,332	4,663,492
Loss and total comprehensive expense for the year	–	(52,147)	(52,147)
Purchase of shares under share award scheme	(144,180)	–	(144,180)
Recognition of equity-settled share-based payment, net of amounts lapsed relating to share options not yet vested	(4,971)	–	(4,971)
Recognition of equity-settled share-based payment, net of amounts lapsed relating to share awards not yet vested	3,036	–	3,036
Exercise of share options	345	–	345
At December 31, 2020	4,200,390	265,185	4,465,575
Loss and total comprehensive expense for the year	–	(52,874)	(52,874)
Repurchase of own shares	(30,109)	–	(30,109)
Recognition of equity-settled share-based payment, net of amounts lapsed relating to share options not yet vested	(893)	893	–
Recognition of equity-settled share-based payment, net of amounts lapsed relating to share awards not yet vested	5,515	–	5,515
At December 31, 2021	4,174,903	213,204	4,388,107

36. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2021 and 2020:

Name of subsidiary	Country/place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2021	2020	Principal activities
YY Sports Holdings Limited ("YY Sports") (note i)	BVI	US$1	100%	100%	Investment holding
Bao Sheng Dao Ji (Beijing) Trading Company Ltd. 寶盛道吉(北京)貿易有限公司 (note ii)	PRC	US$65,000,000	100%	100%	Retailing of sportswear
Guangzhou Baoyuen Trading Company Limited# 廣州寶元貿易有限公司 (note ii)	PRC	US$23,310,000	100%	100%	Retailing of sportswear
Harbin Baosheng Sports Goods Company Limited# 哈爾濱寶勝體育用品有限公司 (note ii)	PRC	RMB22,000,000	100%	100%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited# 河北展新體育發展有限公司 (note iv)	PRC	RMB18,180,000	100%	100%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited# 合肥寶勛體育用品商貿有限公司 (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Kunshan bao han Culture Sportsevolution Co. Ltd. (note ii) 昆山寶悍體育文化發展有限公司	PRC	US$10,000,000	100%	100%	Sports marketing and organisation of sports events
Kunshan YYsports E-Commerce Co., Ltd 昆山勝道信息技術有限公司 (note ii)	PRC	US$3,000,000	100%	100%	Retailing of sportswear
Kunshan Pouchi Sports Co., Ltd 昆山寶慈體育用品有限公司 (note ii)	PRC	US$13,500,000	100%	100%	Retailing of sportswear

36. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2021	2020	Principal activities
Nanning Pou Guan Sporting Goods Company Limited# 南寧寶冠體育用品有限公司 (note ii)	PRC	US$1,300,000	100%	100%	Retailing of sportswear
PCG Bros (Holdings) Co. Limited	BVI	US$6,400,000	100%	100%	Investment holding
PCG BROS Sports Management Co. Ltd.# 寶悍運動平台股份有限公司	Taiwan	NTD360,000,000	100%	100%	Sports marketing and organisation of sports events
Pou Sheng (China) Investment Co., Ltd. 常勝投資有限公司 (note ii)	PRC	US$152,922,400	100%	100%	Investment holding
Pou Sheng International Sports Development Company Limited	HK	HK$100	100%	100%	Investment holding
Qingdao Pou Sheng International Sporting Goods Company Limited# 青島寶勝國際體育用品有限公司 (note iii)	PRC	RMB20,000,000	72%	72%	Retailing of sportswear
Shaanxi Pousheng Trading Company Ltd 陝西寶勝貿易有限公司 (note ii)	PRC	US$66,000,000	100%	100%	Retailing of sportswear
Shanghai Bao Luo Sports Culture Co. Ltd.# (note v) 上海寶洛體育文化有限公司	PRC	RMB8,000,000	N/A	100%	Sports marketing and organisation of sports events
Shanghai Pouyuen Sports Goods Company Limited# 上海寶原體育用品商貿有限公司 (note ii)	PRC	US$50,000,000	100%	100%	Retailing of sportswear

FOR THE YEAR ENDED DECEMBER 31, 2021

36. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Country/place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2021	2020	Principal activities
Shanghai Shengdao Sports Goods Company Limited# 上海勝道體育用品有限公司 (note ii)	PRC	RMB5,100,000	100%	100%	Retailing of sportswear
Shengdao (Chengdu) Trading Co. Ltd.# 勝道(成都)商貿有限公司 (note ii)	PRC	US$22,400,000	100%	100%	Retailing of sportswear
Shengyang Baoyi Trading Company Limited# 瀋陽寶益貿易有限公司 (note ii)	PRC	RMB40,000,000	100%	100%	Retailing of sportswear
Tianjin Baosheng Sports Goods Company Limited# 天津寶勝體育用品銷售有限公司 (note ii)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
TREASURE CHAIN INTERNATIONAL LIMITED	BVI	US$1	100%	100%	Investment holding
WINNING TEAM HOLDINGS LIMITED	BVI	US$1	100%	100%	Investment holding
Wuxi Pouyuen Sports Goods Trading Company Limited# 無錫寶原體育用品商貿有限公司 (note iv)	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Kunshan Baowei 昆山寶唯信息科技有限公司 (note iv)	PRC	RMB600,000,000	100%	N/A (note vi)	Retailing of sportswear

The English names are for information purpose only.

36. PRINCIPAL SUBSIDIARIES (Continued)

notes:

(i) The Company directly holds the interest in YY Sports. All other interests shown are indirectly held by the Company.

(ii) These entities are wholly-foreign owned enterprises established/operated in the PRC.

(iii) These entities are sino-foreign owned enterprises established/operated in the PRC.

(iv) These entities are wholly-domestic owned enterprises established/operated in the PRC.

(v) The Company was deregistered during 2021.

(vi) The Group acquired additional interest of Kunshan Baowei, which was a joint venture as at December 31, 2020, during the year. Detail of the acquisition is detailed in Note 28.

The above table lists the subsidiaries of the Company which, in the opinion of directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

37. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2021:

(i) amount due from a joint venture of RMB264,000,000 has been settled by transfer of inventories with fair value of RMB264,000,000 from Kunshan Baowei; and

(ii) as detailed in Note 28, the Group acquired 45% equity interest of Kunshan Baowei. The Consideration shall be funded and settled by way of transfer of inventories.

FINANCIAL SUMMARY

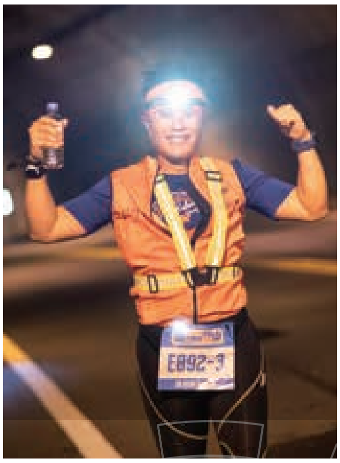
Below financial information is extracted from annual reports of the Company:

RESULTS

	For the year ended December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Revenue	18,833,313	22,677,375	27,189,765	25,611,125	23,350,235
Profit for the year	415,032	560,894	879,910	314,660	375,755
Attributable to:					
Owners of the Company	394,322	542,888	833,275	302,840	356,587
Non-controlling interests	20,710	18,006	46,635	11,820	19,168
	415,032	560,894	879,910	314,660	375,755

ASSETS AND LIABILITIES

	As at December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Total assets	11,470,110	13,237,469	17,390,782	17,022,269	16,658,980
Total liabilities	(5,028,581)	(6,201,932)	(9,684,704)	(9,146,239)	(8,456,784)
	6,441,529	7,035,537	7,706,078	7,876,030	8,202,196
Equity attributable to:					
Owners of the Company	6,390,692	6,867,567	7,612,574	7,770,201	8,095,464
Non-controlling interests	50,837	167,970	93,504	105,829	106,732
	6,441,529	7,035,537	7,706,078	7,876,030	8,202,196

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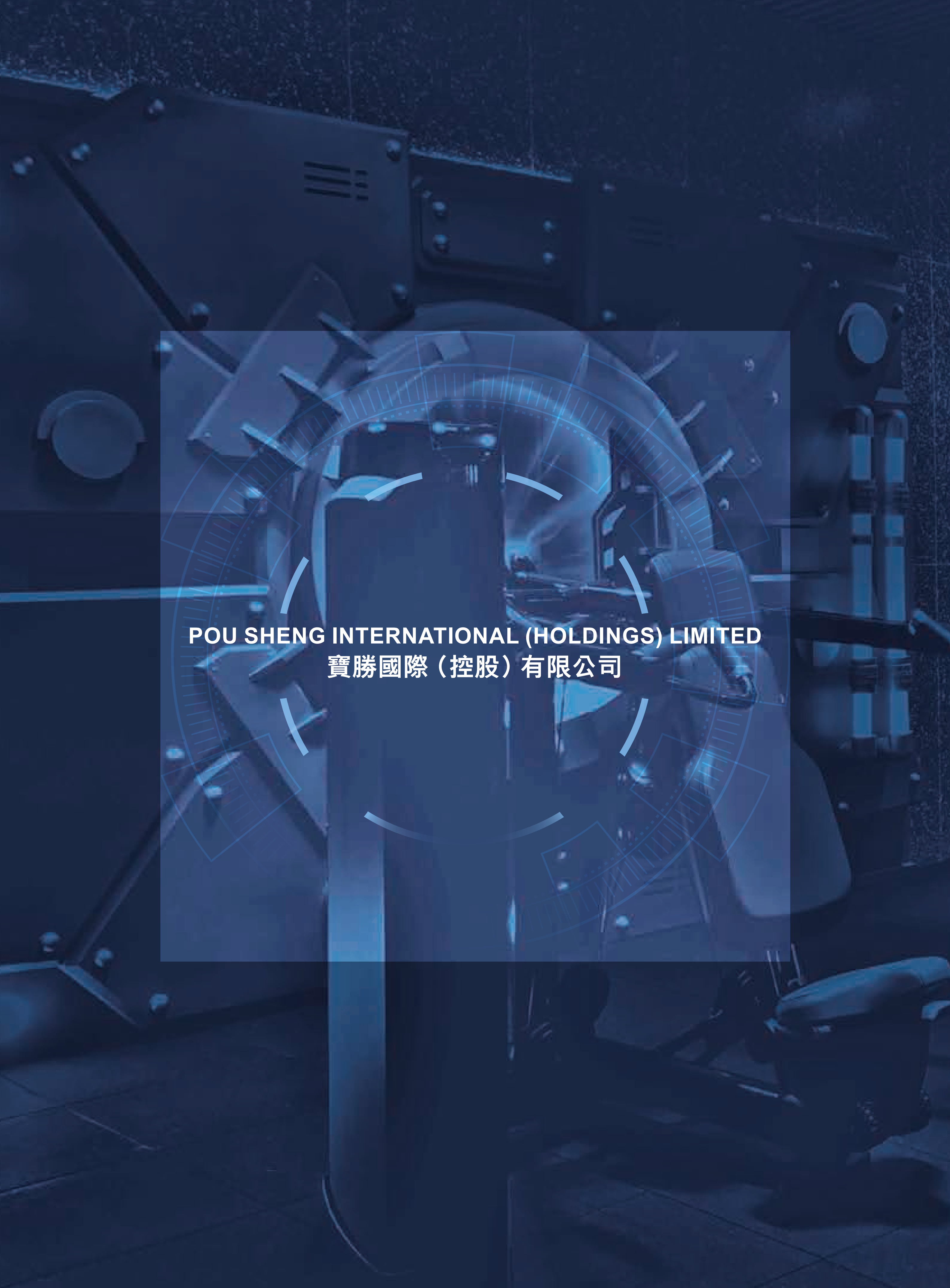

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際（控股）有限公司