ANNUAL REPORT
2023 年報

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)

MAKE SPORTS YOUR LIFE

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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CORPORATE OVERVIEW

CORPORATE OVERVIEW

THE GROUP'S FINANCIAL HIGHLIGHTS

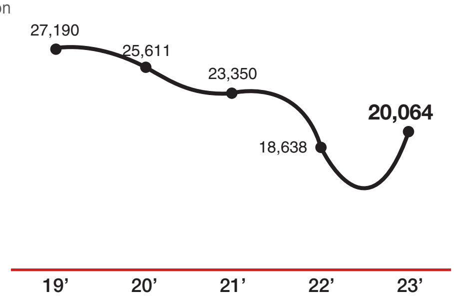
Financial performance	For the year ended December 31, 2023 RMB'000	2022 RMB'000	Change
Revenue	20,064,497	18,638,021	7.7%
Gross profit	6,755,980	6,688,046	1.0%
Operating profit	735,861	414,530	77.5%
Profit attributable to owners of the Company	490,425	89,164	450.0%
Gross profit margin *(%)*	33.7%	35.9%	-2.2 ppt
Operating profit margin *(%)*	3.7%	2.2%	1.5 ppt
Basic earnings per share *(RMB cents)*	9.47	1.72	450.6%
Dividend per share			
Interim dividend *(HK$)*	0.0185	–	N/A
Final dividend (proposed) *(HK$)*	0.0120	–	N/A

Financial position	As at December 31, 2023 RMB'000	2022 RMB'000	Change
Inventories	4,704,713	6,071,858	-22.5%
Trade and other receivables	2,101,577	2,149,713	-2.2%
Cash and cash equivalents	1,827,563	1,190,148	53.6%
Bank borrowings	39,202	456,162	-91.4%

KEY SHAREHOLDER VALUE INDICES

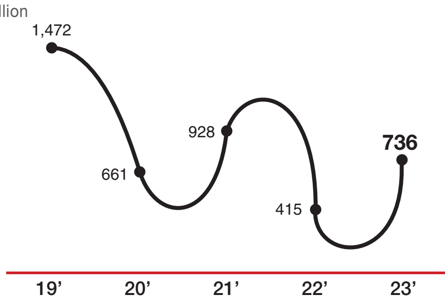
Revenue

RMB million



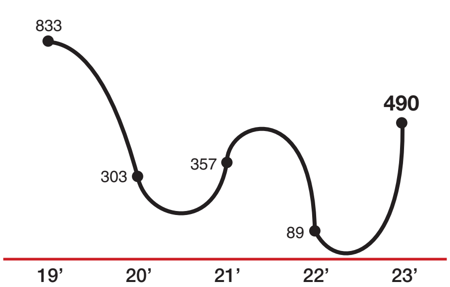
Operating Profit

RMB million



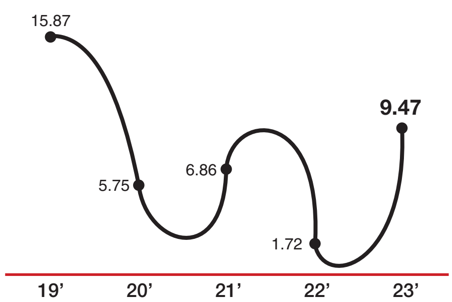
Profit Attributable to Owners of the Company

RMB million



Basic Earnings Per Share

RMB cent



CORPORATE INFORMATION

(As of March 13, 2024)

DIRECTORS

Executive Directors

Yu Huan-Chang (Chairman)
Hu, Chia-Ho
Chen, Li-Chieh (Chief Financial Officer)

Non-executive Directors

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors

Chen, Huan-Chung
Feng Lei Ming
Liu, Hsi-Liang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Liu, Hsi-Liang (Chairman)
Chen, Huan-Chung
Li I-nan

NOMINATION COMMITTEE

Feng Lei Ming (Chairman)
Chen, Huan-Chung
Hu, Chia-Ho

DISCLOSURE COMMITTEE

Yu Huan-Chang (Chairman)
Hu, Chia-Ho
Chen, Li-Chieh

AUTHORISED REPRESENTATIVES

Yu Huan-Chang
Yip Wing Ming

CHIEF EXECUTIVE OFFICER

Wang Jun

COMPANY SECRETARY

Yip Wing Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

22nd Floor, C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

SOLICITORS

Reed Smith Richards Butler LLP

PRINCIPAL BANKERS

Australia and New Zealand Bank (China) Company Limited
Australia and New Zealand Banking Group Limited
Citibank (China) Co., Limited
Industrial and Commercial Bank of China Limited
Mizuho Bank (China), Limited
Mizuho Bank, Limited
Standard Chartered Bank (China) Limited
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank (Taiwan) Limited
Taipei Fubon Commercial Bank Company Limited
Taishin International Bank Company Limited
United Overseas Bank Limited

WEBSITE

www.pousheng.com

STOCK CODE

3813

CHAIRMAN'S STATEMENT

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, 2023, to the shareholders of the Company (the “Shareholders”).

2023 was a year of moderate recovery in the mainland China. Sales momentum and foot traffic at physical retail stores improved supported by a low base effect, while the progress remained uneven due to dynamic retail environment and segmented consumption patterns. Sales remained volatile especially in the second half of the year, amid weaker consumer confidence across the economy.

Despite encountering stronger-than-expected challenges, the Group focused on agility and sustained growth backed by a range of initiatives to ensure a decent profitability recovery. These encompassed store-level optimisation, digital transformation, cost reduction, efficiency enhancement and effective inventory management. While operating in a competitive promotional environment, we effectively managed discount levels and improved our inventory and inventory days to a healthy level by year-end through excess inventory clearance. Our sales and cash conversion efficiency were also supported by our inventory integration programme, through which we efficiently facilitated product sharing with our brand partners, further optimising inventory mix.

Brand partners fine-tuned its channel strategies and reprioritised wholesale relationships. As an indispensable strategic enabler, we further intensified our collaboration with brand partners, particularly in areas such as impeccable and diverse shopping experience and consumer connectivity by leveraging its extensive channel networks and the strength of retail operational capabilities. We also deepened the connectivity and integration of our membership programmes, allowing consumers to access member-exclusive products and services that are consistent available through our stores and stores directly operated by our brand partners in the Greater China region.

We proactively developed the higher-margin private traffic domains of our omni-channels, with sales enacted through our customised, client-centric Pan-WeChat Ecosphere as we continued to expand the digital-enabled and premium experience through our WeChat stores and Douyin live-streaming by Key Opinion Staff, which supported a robust growth of 22% for the overall omni-channels. The development of this channel is at the core of our digital transformation strategy, which aims to more closely knit our offline social presences and online communities together with a human touch, encouraging better conversion rates and incremental sales, shorter sales cycles and more full-price in-season sales.

Over the past twelve months, we have diligently worked on our SAP project to seamlessly integrate business and finance. The system officially commenced operation at the beginning of 2024, covering from finance, business and operations to performance indicator monitoring. This initiative lays a foundation for optimising decision-making efficiency at the management level.

The Group’s solid financial strength well reflected the results detailed above, which helped us to make the very first interim dividend payments since 2016. Together with the proposed final dividend, the full year dividend payout ratio shall reach 30%, showcasing our commitment to increase shareholders’ return. Heading into 2024, we will continue to leverage on the digital optimisation to enhance our highly agile and flexible decision-making, prioritise our margins and deepen our strategic partnerships with brand partners to drive quality growth, accelerate sales and facilitate a virtuous inventory cycle, while adopting a holistic approach to channel planning and management in light of the ongoing volatility in consumer confidence levels as macroeconomic headwinds persist.

CHAIRMAN'S STATEMENT

According to the China Outdoor Sports Industry Development Report (2022-2023)《中國戶外運動產業發展報告 (2022-2023)》released by the General Administration of Sport of China, the "post-90s" generation is now the largest consumer segment in the outdoor activities market, making up 36.1% of consumers, with women accounting for 59.9% of sports participants. According to the latest McKinsey Sporting Goods Report 2024, the consumer group over the age of 45 is projected to exhibit the most rapid spending growth in mainland China, with a CAGR ranging from 8.3% to 9.7% up to 2025. The demographic split in mainland China creates a favourable opportunity for sporting goods brands. In addition to the current marketing campaigns that primarily target younger consumers with more women-focused, the older generation presents a relatively untapped demographic with the potential to unlock a lucrative market. Looking ahead, capturing opportunities in segmented market and diversifying channels will be especially important for appealing to and reaching consumer bases that are more diverse and digital-first than ever.

The report also highlighted that the global sportswear market is projected to experience a CAGR of 7% from 2023 to 2027, with Asia Pacific region anticipated to achieve a CAGR of 10%. We still see immense growth potential in the Chinese sports market, which will continue to lay a clear runway for the long-term growth of our business. According to the China Marathon Platform, 580 road running events were held across mainland China in 2023, attracting 5.5 million participants, further encouraging the wellness trend of "Make Sports Your Life".

Wider sports participation will also be supported by upcoming global mass sports events throughout the year, including the Summer Olympics in Paris, the AFC Asia Cup in Qatar and the UEFA Euro Cup. Closer to home, the return of the ATP and WTA worldwide professional tennis tours to mainland China will also support the development of the local sports industry.

We will seek to fully capitalise on these opportunities and the general growth trend, providing both experienced and new sports aficionados with a memorable shopping experience by leveraging our competitive edges, experience-driven physical stores, private and public traffic domains, membership programmes, and by further deepening our links and cooperation with our brand partners.

On behalf of the Group, I would like to express my sincere gratitude to our customers, business partners, financial institutions, shareholders and my dedicated colleagues for their continual support, trust and efforts. We look forward to promising years ahead, bringing quality return to the shareholders.

Yu Huan-Chang
Chairman

Hong Kong
March 13, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Model and Environment

Business Environment

In 2023, the improvement of the Group's sales were supported by a moderately recovery of the sales environment and foot traffic to its directly-operated brick and mortar ("B&M") channels in mainland China. Despite a mixed consumption landscape and slower macro consumption that led to intensifying competition and softening momentum in the second half of the year, the performance of the footwear and apparel retail sector continued to outperform the recovery of overall consumer spending. According to the National Bureau of Statistics of China, the retail value of garments, footwear, hats and knitwear in 2023 rose 12.9% year-on-year, compared to a 7.2% recovery in the total retail sales of overall consumer goods.

The Group remained highly agile and flexible in its decision-making and in progressing its retail refinement strategy, achieving higher levels of productivity and efficiency, while strengthening its online public and private traffic domains to diversify its channel mix. Omni-channel sales, including its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms, remained robust with sales growth of over 22%. This resilience demonstrated the effectiveness of the Group's ongoing digital transformation and how its incremental implementation is complementing offline sales.

Amid the dynamic and promotional market environment, the overall good performance of the Group is mainly attributed to its focus on both agility and sustained growth, backed by effective initiatives that enhanced its omni-channel capabilities, stringent expense control and inventory optimisation. It continued to focus on improving conversion rates and in-season full-price sales, while deepening its engagement with consumers. The Group also continued to intensify its collaboration with its brand partners to create a seamless shopping experience for its consumers in a way that prioritises healthier sales, while enhancing its membership program and inventory integration. As a result, the Group's solid profitability was underpinned by its rapidly improved operating efficiency together with a low base effect, demonstrating its operational excellence in retailing.

Hybrid Channel Management – B&M

In 2023, the sales momentum of the Group's B&M network recovered from a low base – the influence of which varied considerably from month to month according to the lockdown conditions being experienced in different regions of mainland China in the corresponding periods of 2022 – with foot traffic improving but remaining bumpy throughout the year.

During the year, the Group continued to progress its retail refinement strategy of closing or upgrading underperforming stores, reducing costs and optimising store-level productivity and efficiency, while adopting a holistic view towards new store openings: optimising its investment returns as a whole by prioritising geographic regions with an outstanding operating track record and convincing potential, with stores only being opened following a thorough assessment that prioritised margins and business quality. As at December 31, 2023, the Group's retail network had 3,523 directly operated stores across the Greater China region.

Movement of directly operated stores during the year ended:

	December 31, 2023	December 31, 2022
At the beginning of the year	4,093	4,631
Net decrease	(570)	(538)
At the end of the year	3,523	4,093

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

	December 31, 2023		December 31, 2022	
	Number	%	Number	%
Selling area				
300 m^2 or smaller	2,799	79	3,332	81
Larger than 300 m^2	724	21	761	19
Total	3,523	100	4,093	100

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, the Group continued to invest in optimising store formats and accelerated its digital transformation by integrating its WeChat stores, membership programmes and other digital services and tools into its B&M network, which, in turn, enriched the consumer experience and stimulated higher average transaction values. It also continued to encourage repeat purchases and higher-margin in-season sales within its core offline network, albeit with a temporarily higher sales contribution from discounted stores during the year.

Hybrid Channel Management – Omni-channels

The Group's omni-channels include its increasingly important private traffic domain – the Pan-WeChat Ecosphere – which covers its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms, as well as channels that facilitate the clearance of slow-moving merchandise and enhance cash conversion efficiency, including its public traffic domain and B2B channels. The Group's public traffic domain includes its operations on third-party platforms such as Tmall, JD and Vipshop. During the year, it continued to strengthen and grow its omni-channels, leveraging its differentiated, multi-faceted operation matrix to further deepen and expand its engagement with shoppers while delivering better operational efficiency.

The Group's online sales momentum proved highly robust, supporting revenue growth and effective inventory destocking despite the return of foot traffic to its B&M network and recovering offline sales. Its omni-channels collectively contributed approximately 27% of total sales in 2023, reaching a new high compared to 24% of total sales in 2022, during which the Group's offline channels were adversely affected by control measures.

As the Group continued elevating its digital operation capabilities, its private traffic domain channels, in particular, experienced strong sales growth during the year with a higher contribution to offline direct retail sales.

The Group's Pan-WeChat Ecosphere serves as an extension of its B&M network, providing quality and comprehensive customer service with a human touch. The Group further optimised the scope of its Douyin live-streaming conducted by designated Key Opinion Staff during the year, facilitating more localised operations by integrating the regional level and the store level. It also continued to embed value-added services, diverse content and member-exclusive benefits stemming from its integrated membership programmes with its brand partners into the Pan-WeChat Ecosphere to achieve incremental sales and enhance repeat purchases.

Enhanced Strategic Alliance with Business Partners

The Group further deepened its strategic partnerships with its business partners in order to provide an impeccable and diverse shopping experience and consumer connectivity. Leveraging its YYsports WeChat Mini-Program and live-streaming across the Greater China region, it continued to boost its connected digital membership programmes while offering diversified sports services content, interactive features and other related services, to support in-depth membership management and to facilitate a premium and seamless online and offline consumer experience. Through the increased integration and direct connection of our membership programmes with brand partners, the Group further supported membership growth and increased in-season sell-through.

Moreover, the Group continued to reinforce its product-sharing platform ("PSP") and improve its efficiency in product allocation and logistics management, enhancing its connected inventory programme with brand partners to efficiently share products and services across different platforms and channels to optimise its inventory mix, accelerate sales cycles and optimise its services to loyal members and consumers.

Strengthened Operational Excellence with Digital Transformation

During the year, the Group further invested in upgrading its enterprise resource planning ("ERP") system. Multiple SAP modules were officially implemented on January 1, 2024, integrating business and finance and laying a solid foundation for strategic decision-making at the management level. The success of these modules was attributed to extensive preparation over twelve months and efficient and comprehensive testing for design and integration. The modules covered various functions, including data analytics, product management, sales management, financial operations and budget monitoring. Additionally, the Group integrated its business intelligence platform, enabling real-time monitoring of its overall operations through digital cloud-based financial dashboards. The Group also leverages other digital tools to drive its retail excellence, particularly in areas such as real-time in-store efficiency, resource optimisation and membership services through digital empowerment. It has also rolled out personal digital assistants ("PDA") to its B&M stores, a dashboard-style system that enables store staff to manage inventory more effectively, boosting store-level efficiency.

The Group's ongoing investments in its omni-channels and retail refinement strategy, alongside its digital transformation strategy for operational excellence, remain essential for developing its unique core competencies, maintaining its competitiveness and supporting its long-term development. It has also streamlined its operations to enhance people efficiency, cost competitiveness and to shorten sales cycles. Through these aforementioned efforts, the Group is confident that it will be more adaptable to the ever-changing operating environment while capturing long-term growth opportunities.

PERFORMANCE ANALYSIS

Financial Review

In 2023, the Group recorded revenue of RMB20,064.5 million, representing an increase of 7.7% compared with the financial year 2022. Gross profit was RMB6,756.0 million, an increase of 1.0% when compared to the financial year 2022. Profit attributable to owners of the Company in 2023 increased substantially by 450.0% to RMB490.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's total revenue in 2023 increased 7.7% to RMB20,064.5 million, compared with the financial year 2022. The improvement is mainly attributed to its focus on agility and sustained growth backed by the resilient performance of its omni-channels, particularly its Pan-WeChat Ecosphere, as well as a low base effect.

	For the year ended December 31,		
	2023 RMB million	2022 RMB million	Change
Revenue	20,064.5	18,638.0	7.7%
Cost of sales	(13,308.5)	(11,950.0)	11.4%
Gross profit	6,756.0	6,688.0	1.0%
Gross profit margin (%)	33.7%	35.9%	-2.2 ppt

Gross Profit

The Group's gross profit in 2023 amounted to RMB6,756.0 million with a gross profit margin of 33.7%. Despite the well-managed discount control, its gross profit margin decreased by 2.2 percentage points compared to the financial year 2022. The decrease was mainly due to the higher contribution of the lower margin channels, therefore to enhance diversified channels to digest excess inventories.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses in 2023 were RMB5,588.2 million (2022: RMB5,806.8 million), accounting for 27.9% of the Group's revenue (2022: 31.2%). Selling and distribution expenses primarily include concessionaire fees, depreciation of right-of-use assets in relation to stores, sales personnel salaries and commissions, other depreciation and amortisation charges, and other expenses that mainly include store operation expenses, property management fees, logistic expenses and other expenses.

Administrative expenses in 2023 were RMB751.7 million (2022: RMB809.6 million), accounting for 3.7% of the Group's revenue (2022: 4.3%). 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 2023 were RMB6,339.9 million, a decrease of 4.2% compared to the financial year 2022. This was equivalent to 31.6% of total revenue, a decrease of 3.9 percentage points year-on-year, with the savings accruing from the active management of rentals and people efficiency that delivered operational excellence, as well as operating leverage.

Operating Profit

The Group's operating profit in 2023 was RMB735.9 million, representing an increase of 77.5% with an operating margin of 3.7%, an increase of 1.5 percentage points year-on-year.

Finance Income and Finance Costs

Finance income in 2023 was RMB37.6 million, compared to RMB22.2 million in the financial year 2022. Finance costs during the year recorded a sharp decrease of 44.6% to RMB92.3 million, compared to RMB166.8 million in the financial year 2022, primarily as a result of its debt repayment efforts and enhanced efficiency in cash management and a decrease in interest expenses on lease liabilities during the year.

Profit for the Year

As a result of the aforementioned efforts, the Group recorded a net profit of RMB503.2 million in 2023, representing a significant increase of 402.0% compared to the financial year 2022. Profit attributable to owners of the Company for 2023 increased 450.0% by to RMB490.4 million compared with the financial year 2022.

Working Capital Efficiency

The average inventory turnover period for 2023 improved significantly to 148 days (2022: 208 days). The balance of inventory as at December 31, 2023 was RMB4,704.7 million, a decrease from RMB6,071.9 million as at December 31, 2022, which was attributed to the Group's efforts to clear excess inventory and to enhance inventory efficiency. The average trade receivables turnover period was 17 days (2022: 20 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives its department store counters and retail distributors. The average trade payables turnover period in 2023 was 28 days (2022: 38 days).

Liquidity and Financial Resources

As at December 31, 2023, the Group maintained a strong balance sheet, with bank balances and cash (which consist of bank deposits over three months and cash and cash equivalents) amounting to RMB2,874.2 million (December 31, 2022: RMB1,190.1 million) while working capital (current assets minus current liabilities) was RMB6,011.3 million (December 31, 2022: RMB5,475.0 million). Total bank borrowings were further reduced by 91.4% to RMB39.2 million (December 31, 2022: RMB456.2 million). All bank borrowings are short-term in nature which are repayable within one year. Bank balances and cash and bank borrowings were mainly denominated in Renminbi. The Group's loans under a fixed rate arrangement made up approximately 100% (December 31, 2022: 92%) of its total bank borrowings.

The Group's gearing ratio as of December 31, 2023, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 0.5% (December 31, 2022: 5.6%). The net cash position (bank balances and cash minus bank borrowings) saw increased substantially to RMB2,835.0 million (December 31, 2022: RMB734.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The net cash generated from operating activities in 2023 was RMB3,404.2 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in 2023 was RMB1,315.3 million, while the net cash used in financing activities was RMB1,450.7 million.

Capital Expenditure

The Group continued its selective and prudent approach of capital expenditure planning in the areas of strategic new store openings, ongoing upgrades and the expansion of experience-driven B&M stores that offer a better shopping experience and store productivity improvements, as well as the further roll-out of its long-term digital transformation strategy, namely the implementation of the SAP ERP system. Total capital expenditure in 2023 increased to RMB344.2 million (2022: RMB311.6 million). As at December 31, 2023, the Group had no material contingent liabilities.

As at December 31, 2023, capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the consolidated financial statements was RMB63.6 million (December 31, 2022: RMB62.7 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 3 years (2022: 1 to 3 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB5.7 million (December 31, 2022: RMB21.4 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, 2023, the Group had no significant hedging financial instruments for managing its foreign exchange exposure. As the exchange rate of the 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 2023 was in accordance with the Group's internal policies and guidelines.

PROSPECTS AND FUTURE DEVELOPMENTS

In 2024, prioritising margins will be the Group's primary focus while also ensuring quality growth. The Group will continue to emphasise operational excellence to drive profitability, supported by its digital transformation strategy, the enhancement of its business portfolio and channel mix, a strategic approach to dynamic inventory control, and most importantly, more effective working capital management amid an increasingly dynamic retail environment.

The Group will continue to implement its retail refinement strategy to offer a digitally-enabled and superior customer experience, while dynamically managing its retail footprint and optimising its omni-channels, aiming to become less reliant on promotions. The Group will also continue to enhance the implementation, integration and upgrade of its SAP system, utilising its multi-functional modules to achieve the integration of business and finance, laying a solid foundation for strategic decision-making at the management level. Additionally, the Group will further integrate its business intelligence platforms, enabling the real-time monitoring of overall operations through digital cloud-based financial dashboards. The Group will also leverage other digital empowerment tools to drive its operations, optimise its inventory management and improve its working capital efficiency. Furthermore, the Group will continue to drive its quality sales growth and reinforce its in-season sell-through, off-season clearance and margin growth through its PSP, a more agile procurement strategy and inventory management.

The Group will continue to maximise its strategic partnerships with business associates, remaining committed to facilitating inventory sharing and expanding its connected membership programmes with brand partners, while connecting these membership services with its growing number of digitally-enabled stores, allowing consumers to access premium member-exclusive products, offers and experiences that are consistent with those available at the directly operated stores of these brands in the Greater China region. Meanwhile, it will continue to explore opportunities to capture growth potential in different segments.

Despite the challenging external environment, the prospects for the sports industry in the Greater China region remain bright, with the authorities remaining committed to high-quality sports development while boosting relevant consumption and the industry set to grow to RMB5 trillion in value by 2025, further fueled by anticipated consumption growth associated with the upcoming Olympic Games in Paris. This will enable the Group to drive its sustainable growth momentum while strengthening its long-term operating performance and profitability.

HUMAN RESOURCES

As at December 31, 2023, the Group had approximately 22,100 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers share awards to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programmes for employees based on their respective personal career development.

BIOGRAPHICAL DATA OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS

Mr. YU Huan-Chang

YU Huan-Chang, aged 59, has been an Executive Director of the Company since September 2022. He is also the Chairman of the Company, the chairman of Disclosure Committee of the Board and a director of various subsidiaries of the Company. He holds an Executive Master Degree of Business Administration from China Europe International Business School (CEIBS) in Shanghai and a Master Degree of Business Administration from Fu Jen Catholic University. Mr. Yu was an executive director, the chief financial officer and a director of certain subsidiaries of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a controlling shareholder of the Company from April 2020 to early September 2022; and was the head of strategy and investment department of Pou Chen Corporation ("PCC"), a company listed on the Taiwan Stock Exchange Corporation (the "TWSE") and a controlling shareholder of Yue Yuen, during November 2020 to early September 2022. In addition, he was a director of Elitegroup Computer Systems Co., Ltd. (a company listed on the TWSE) from April to July 2022. Before joining Yue Yuen, Mr. Yu was the chief financial officer of Castle Snack International (HK) Limited from 2015 to 2019. He also served as the head of the finance department of beverage division and the head of the investment management department of Tingyi (Cayman Islands) Holding Corp., a company listed on the Stock Exchange, from 2010 to 2015. From 2012 to 2013, Mr. Yu concurrently served as the chief financial officer and vice president of Pepsi (China) Investment Co., Ltd. From 2004 to 2010, he served as the chief financial officer, head of general administrative division and head of the global administrative center of ATEN International Co., Ltd., a company listed on the TWSE.

Mr. HU, Chia-Ho

HU, Chia-Ho, aged 55, has been an Executive Director of the Company and a member of the Nomination Committee and Disclosure Committee of the Board since July 2022. He graduated from the University of Wisconsin, Madison, the United States of America with a Master's Degree of Science. Mr. Hu was an executive director of Yue Yuen during the period from March 2015 to June 2022. He is also a director of certain subsidiaries of Yue Yuen. He joined PCC in 1997. He is a vice president of PCC and was the head of the human resources department and became the head of CEO office in April 2020 and the head of integrate applications department in October 2023. Mr. Hu has extensive experience in human resources management and business development. Yue Yuen and PCC, through its interest in Yue Yuen, are deemed to be interested 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, Chapter 571 of the Laws of Hong Kong (the "SFO"). He has been an executive director of Eagle Nice (International) Holdings Limited, a company listed on the Stock Exchange, since December 2020. Prior to joining PCC, Mr. Hu had worked with Citibank Taiwan and was responsible for corporate financing and the related businesses.

BIOGRAPHICAL DATA OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Mr. CHEN, Li-Chieh

CHEN, Li-Chieh, aged 48, has been an Executive Director and a member of the Disclosure Committee of the Board since September 2023. He is also the Chief Financial Officer of the Company, and a director of various subsidiaries and a supervisor of certain subsidiaries of the Company. Mr. Chen joined the Group and in charge of the finance and taxation of Retail Business Unit in May 2020. He is also a director and supervisor of certain subsidiaries of Yue Yuen. Yue Yuen is interested 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. He graduated from Tamkang University, Taiwan with a Bachelor Degree in Accounting. Prior to joining the Group, Mr. Chen worked for PCC as the head of taxation department and head of financial department of Southern China Region during the period from February 2007 to February 2020. In addition, Mr. Chen worked at an international audit firm. He has over twenty years of extensive experience in auditing, taxation and financial management.

Ms. TSAI Patty, Pei Chun

TSAI Patty, Pei Chun, aged 44, 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 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. 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 board director of Mega Financial Holding Company Limited (shares of which are listed on the TWSE).

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Mr. LI I-nan

LI I-nan, aged 82, 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 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. 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 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, and was an executive director of Yue Yuen. Previously, Mr. Li was a non-executive director of Symphony Holdings Limited ("Symphony Holdings"), a publicly listed company in Hong Kong.

Mr. CHEN, Huan-Chung

CHEN, Huan-Chung, aged 68, 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. 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. 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 of PCC since June 2018. He is now also the convener of the audit committee, and a member of the nomination committee and the remuneration committee of PCC. 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).

BIOGRAPHICAL DATA OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF DIRECTORS (Continued)

Mr. FENG Lei Ming

FENG Lei Ming, aged 66, has been an Independent Non-executive Director of the Company, a member of the Audit Committee since September 2018 and the chairman of the Nomination Committee of the Board since July 2022. 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.

Mr. LIU, Hsi-Liang

LIU, Hsi-Liang, also known as Freddie LIU, aged 59, has been an Independent Non-executive Director of the Company and the chairman of the Remuneration Committee of the Board since March 2022. He holds a Bachelor’s Degree in Diplomacy from the National Chengchi University in Taiwan and a Master’s Degree in Business Administration from the University of Michigan in the United States. He is currently a director, a senior vice president and the chief strategy officer of TPK Holding Co., Ltd. (“TPK”, shares of which are listed on the TWSE), an independent director and a member of the audit committee and remuneration committee of EDOM Technology Co., Ltd. (shares of which are listed on the TWSE), a director and a member of the audit committee of Just Kitchen Holdings Corp. (shares of which are listed on the Toronto Stock Exchange), a partner of Purestone Capital Group and an independent director, a member of the audit committee and sustainable development and risk management committee, and the convener of the remuneration committee of Sino Horizon Holdings Limited (shares of which are listed on the TWSE). He was the chief financial officer of TPK and led TPK to be listed successfully on the TWSE in 2010. In addition, Mr. Liu was the vice president of finance of Advanced Semiconductor Engineering Inc., the chief financial officer of ASE Test Limited and a vice president in corporate finance of Citibank Taiwan.

BIOGRAPHICAL DATA OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

BIOGRAPHICAL DATA OF CHIEF EXECUTIVE AND SENIOR MANAGEMENT

Mr. WANG Jun

WANG Jun, aged 55, is currently the Chief Executive Officer of the Company (the "CEO") and directly in charge of the Merchandise & Retail Business Unit. He once was the Acting CEO during the period from July 2022 to March 2023. Mr. Wang 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.

Ms. CHANG, Su-Ching

CHANG, Su-Ching, aged 59, is currently a Vice President of the Group, in charge of the Omni Channel Platform and Operation & Business Management Department. She is also a director of various 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 twenty years' working experience in treasury, cash management and financial planning.

Mr. SONG Hua

SONG Hua, aged 49, is currently a Vice President of the Group, in charge of the Second Division 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. 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. TANG Guoxing

TANG Guoxing, aged 57, is currently a Vice President of the Group, in charge of the Brand and Channel Development Headquarters. He is also a director of several subsidiaries of the Company. He joined the Group in December 2010, and was promoted to be a Vice President in March 2019. Mr. Tang graduated from Jiangsu Open University (formerly known as Jiangsu Radio and Television University), specialised in Business Enterprise Management. He has extensive experience and achievements in strategic planning, sales marketing, product branding and retail operation.

Mr. YIP Wing Ming

YIP Wing Ming, aged 37, is currently the Company Secretary and the Financial Controller of the Company. He is also a director of various subsidiaries of the Company. Mr. Yip joined the Company in February 2017. He holds a first class honours degree of Bachelor of Business Administration in Finance and Economics from The Hong Kong University of Science and Technology. Mr. Yip is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, he worked for an international audit firm. Mr. Yip has over ten 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, 2023.

All references made below to other sections, reports or notes in the Annual Report and the 2023 Environmental, Social and Governance ("ESG") Report of the Group (the "ESG Report") shall form an integral part of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reduce paper usage, the ESG Report of the Group is published separately and is available in electronic form only. The ESG Report is available on the Company's website at www.pousheng.com and Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are distribution and retailing of sportswear and footwear products 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, 2023 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 75 and 76.

The appropriations of profits of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 79 to 80.

DIVIDENDS

During the year, an interim dividend of HK$0.0185 in cash per ordinary share of the Company (the "Share") for the six months ended June 30, 2023 (six months ended June 30, 2022: nil) was paid to the holders of the Shares (the "Shareholders") on October 6, 2023, amounting to approximately HK$87.9 million (six months ended June 30, 2022: nil).

After the end of the year, the Directors recommended a final dividend in respect of the year ended December 31, 2023 of HK$0.0120 in cash per Share (2022: nil) to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, June 4, 2024, amounting to approximately HK$63.9 million (2022: nil), subject to approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, May 24, 2024 (the "2024 AGM").

DIRECTORS' REPORT

FIVE YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 168.

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 and the ESG 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 6 to 9 and Management Discussion and Analysis on pages 10 to 19.

Principal Risks and Uncertainties

The Board, chief executive 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 33(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. Systems are backed-up and upgraded regularly and when necessary, such as a new SAP ERP system is being adopted. 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 corporate and financial information, trade secrets and sensitive customer and personal data, which could cause severe impact on the Group's reputation, punishment or regulatory action by relevant authorities.	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. Anti-virus software is upgraded with endpoint detection and response to better defend against cyber attacks, such as ransomware.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
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.
The Group needs to attract talents and retain employees with relevant experience and knowledge in order to make necessary transformation and 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 and customer-oriented 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. Content and experience-rich sales channels are developed to arouse consumer sentiments. Business intelligence tools are used and a special unit is established to drive retail excellence.
Location of brick-and-mortar ("B&M") retail stores plays a vital role in the Group's success as most of the Group's revenue is derived from sales of B&M retail stores. Wrong store location could cause waste of upfront investments and disruption to the marketing strategies.	Objective scientific methods and holistic view are employed in new store location selection and opening. Close and win-win relationships are built with nationwide landlords. Store footfall and conversion rate are constantly tracked to optimise productivity. The Group continues to refine the B&M retail store network by closing or upgrading under-performing stores.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Natural Environment and Public Health More frequent and intense catastrophic weather events (e.g. severe floods and landslides in various regions across the People's Republic of China (the "PRC") caused by Typhoons Doksuri and Haikui, and highest temperature records were broken at places all over the world in 2023, which could induce prolonged droughts, extreme rainfalls and more destructive typhoons, etc.) 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 distribution channels.	Sustainable development panel and ESG working task force are established to manage the environmental related risks. Properties of the Group are well insured. Employee emergency aid program is established to provide comprehensive supports to employees and their families. Inventory is stored in various locations and the logistic network is well designed to support flexible delivery rearrangement.
The regulatory authorities and investment market attach greater and greater importance to eco- or climate-related management and disclosures, particularly carbon emission management. Fail to keep pace with the trend of low-carbon economy could harm the prestige of the Group and in turn affect the business opportunities, profitability and competitiveness of the Group. Tighten regulatory requirements would incur extra operational cost and risk of non-compliance.	Climate change policy is established. The climate-related risks are reviewed annually. The Group actively seeks to observe the relevant upcoming regulatory changes. Various measures, especially in the aspect of energy-saving, have been implemented to lower the carbon emission of the Group, details of which are set out in the ESG Report.
Severe outbreak of infectious diseases might lead to suspension of B&M retail stores of the Group and decline in consumption sentiment. These might seriously affect the performance of the Group.	Online public and private traffic domains, particularly the Pan-WeChat Ecosphere, are strengthened and diversified to enhance channel mix. IT infrastructure (e.g. business intelligence system) is well developed to support digital transformation and operational excellence.

DIRECTORS’ REPORT

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Strategy and Operation	
Majority of the revenue of the Group is derived from products of certain 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 versatile omni-sales channel capabilities in order to impress the top brands with its dedication and sincerity in being their most valuable partner. More mutually beneficial strategic projects (e.g. integrated membership programme) are launched with brand partners. 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 and efficient logistic arrangement, smart management systems are used.
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. A product sharing omni-hub programme is launched with brand partners to optimise inventory mix.
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. The most appropriate distribution channel and target customers are selected to create an ideal landscape for the emerging brands to thrive well.

BUSINESS REVIEW (Continued)

Principal Risks and Uncertainties (Continued)

Description and Impact of Risk and Uncertainty	Mitigation
Legal Compliance The Group has to comply with 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 and affect its business operations.	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 variety 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 external 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 prolonged downturn in the economy 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 6 to 9 and Management Discussion and Analysis on pages 10 to 19.

Financial Key Performance Indicators

The financial key performance indicators are provided in the Corporate Overview on page 4 and the relevant analysis is provided in the Chairman's Statement on pages 6 to 9 and Management Discussion and Analysis on pages 10 to 19.

BUSINESS REVIEW (Continued)

Environmental Policies and Performance

In order to be a sustainable and joyful enterprise and to realise its aspirations for better ESG, the Group has established several specialised units, such as sustainable development panel, ESG working task force and ESG liaison.

The noticeable deterioration of environment and frequent extreme weather events arising from climate change have prompted us to reduce our energy and resource consumption. To combat climate change effectively, the Group has established climate change policy to assess, identify and manage the climate-related risks and opportunities.

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.

For further details, please refer to the ESG Report of the Company which is published separately.

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 Stakeholders

We aim to promote quality vibrant living and healthy lives by providing convenient and fun sports experiences. While creating value for our Shareholders, we also seek to satisfy and balance the expectations of all stakeholders. The Group identifies key stakeholder groups, including Shareholders and investors, employees, customers and suppliers, and other stakeholders, annually.

Our relationship with shareholders and investors

We strive to create value and provide stable and progressive returns for our Shareholders and investors. To protect the interests of Shareholders and investors, we maintain an open, transparent and interactive dialogue by regularly informing them about the Company's business performance and prospects in a detailed, factual and timely manner through various communication channels (such as the Company and HKEX websites, general meetings, regular results briefings, non-deal roadshows, investor conferences and one-on-one meetings).

BUSINESS REVIEW (Continued)

Relationships with Stakeholders (Continued)

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.

Our relationship with other stakeholders

We put great effort into enhancing corporate governance and actively communicate openly and transparently with media, local governments and communities. It is crucial to identify, understand and engage with other stakeholders to ensure the Group's sustainable development.

More information is provided in the ESG Report which is published separately.

ANNUAL GENERAL MEETING

The 2024 AGM will be held on Friday, May 24, 2024 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 2024 AGM

For the purpose of ascertaining entitlement to attend and vote at the 2024 AGM (the "Entitlement to 2024 AGM"), the Register of Members will be closed from Tuesday, May 21, 2024 to Friday, May 24, 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2024 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 Monday, May 20, 2024. The record date for Entitlement to 2024 AGM will be Friday, May 24, 2024.

CLOSURE OF REGISTER OF MEMBERS (Continued)

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 4, 2024 to Friday, June 7, 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend payable on Friday, June 21, 2024, 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 3, 2024. Dividend warrants will be despatched on Friday, June 21, 2024. The record date for Entitlement to Final Dividend will be Tuesday, June 4, 2024.

DONATIONS

During the year, the Group made donations totalling approximately RMB1.1 million (2022: RMB0.5 million).

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at December 31, 2023 are set out in Note 35 to the consolidated financial statements.

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.

CHARGE OF ASSETS

As at 31 December 2023, there was no material charge on the Group’s assets (December 31, 2022: nil).

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

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, 2023, the Company's reserves available for distribution consisted of contributed surplus of approximately RMB1,136.5 million (December 31, 2022: RMB1,136.5 million) plus accumulated profits of approximately RMB367.2 million (December 31, 2022: RMB481.2 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, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (2022: nil).

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 ("EDs")

Yu Huan-Chang (Chairman)
Hu, Chia-Ho
Chen, Li-Chieh (Chief Financial Officer) (appointed on September 4, 2023)
Liao, Yuang-Whang (resigned on September 4, 2023)

Non-executive Directors ("NEDs")

Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors ("INEDs")

Chen, Huan-Chung
Feng Lei Ming
Liu, Hsi-Liang

DIRECTORS (Continued)

In accordance with the Bye-laws, Mr. Li I-nan, Mr. Chen, Huan-Chung and Mr. Liu, Hsi-Liang will retire by rotation at the 2024 AGM and, being eligible, will offer themselves for re-election. Moreover, Mr. Chen, Li-Chieh, who was appointed by the Directors to fill a casual vacancy as an ED on September 4, 2023, holds office until the 2024 AGM and, being eligible, will offer himself for re-election.

In respect of his resignation, Mr. Liao, Yuang-Whang has confirmed that he had no disagreement with the Board and there was no matter in relation thereto that needed to be brought to the attention of the Shareholders and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHICAL DATA OF DIRECTORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

Biographical data of the Directors, chief executive and senior management of the Group are set out on pages 20 to 24.

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 2024 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, 2023 and remained in force as of the date of this report. 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 section "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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2023, the interests or short positions of the Directors and chief executive of the Company (the "Chief Executive") 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 Executive	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%
Yu Huan-Chang	Beneficial owner	1,200,000[2]	-	-	-	1,200,000	0.02%
Wang Jun	Beneficial owner	3,748,040[3]	-	-	-	3,748,040	0.07%

notes:

1 The total number of issued Shares as at December 31, 2023 was 5,326,179,615.

2 Included interests in 840,000 awarded Shares granted under the under the share award scheme of the Company (the "Share Award Scheme"), which are subject to certain vesting conditions and remain unvested as at December 31, 2023. Details of the awarded Shares are set out in the section "Share Award Scheme".

3 Included interests in 240,000 awarded Shares granted under the Share Award Scheme, which are subject to certain vesting conditions and remain unvested as at December 31, 2023. Details of the awarded Shares are set out in the section "Share Award Scheme".

DIRECTORS' AND CHIEF EXECUTIVE'S 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

		Number of shares/underlying shares held					Percentage of the issued shares of Yue Yuen[1]
Name of Directors/ Chief Executive	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	
Yu Huan-Chang	Beneficial owner	120,000[2]	–	–	–	120,000	0.01%
Hu, Chia-Ho	Beneficial owner	380,000[3]	–	–	–	380,000	0.02%

notes:

1 The total number of issued shares of Yue Yuen as at December 31, 2023 was 1,612,183,986.

2 Included interests in 90,000 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, 2023. Details of the awarded shares are set out in the section "Arrangement to Acquire Shares or Debentures".

3 Included interests in 45,000 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, 2023. 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, 2023, none of the Directors nor Chief Executive 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

Between the Company and Yue Yuen

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 62.55% indirect equity interests in the Company. Yue Yuen's principal businesses were original equipment manufacturing/original design manufacturing and sales of footwear products. Its customers were mainly major international brands. While being a Director of the Company, Ms. Tsai Patty, Pei Chun was a director and the managing director of Yue Yuen, and Mr. Hu, Chia-Ho, Mr. Chen, Li-Chieh (appointed on September 4, 2023) and Mr. Liao, Yuang-Whang (resigned on September 4, 2023) were directors and/or supervisors of certain subsidiaries of Yue Yuen. Mr. Yu Huan-Chang, Mr. Hu, Chia-Ho 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 sections "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "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 is not and 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.

DIRECTORS' REPORT

UPDATE ON DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and Chief Executive since the date of publication of the Company's 2023 interim report are set out below:

1. On September 4, 2023, Mr. Liao, Yuang-Whang resigned from all his positions with the Group, including an ED and a member of the disclosure committee of the Board (the "Disclosure Committee").

2. On September 4, 2023, Mr. Chen, Li-Chieh, the chief financial officer of the Company (the "CFO"), was appointed as an ED and a member of the Disclosure Committee. He holds the office until the 2024 AGM and be eligible for re-election thereafter pursuant to the Bye-laws. A service agreement as an ED and the CFO for a term of three years commencing on September 4, 2023 and ending on September 3, 2026 was entered into between the Company and Mr. Chen on the same date.

3. On October 1, 2023, Mr. Hu, Chia-Ho additionally became the head of integrate applications department of Pou Chen Corporation ("PCC"). PCC, a company listed on Taiwan Stock Exchange Corporation, is a controlling shareholder of Yue Yuen, a controlling Shareholder, and through its interests in Yue Yuen, is deemed to be interested in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. Details of change in the Directors' and Chief Executive's remuneration are set out in Note 9(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. All personnel of the Group are entitled to participate. It is funded by the existing Shares of the Company and does not involve issue of new Shares.

Any proposed award should be determined on the basis of individual performance and must be recommended by the remuneration committee of the Board (the "Remuneration Committee") and approved by the Board. All the awarded Shares 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) and timetable (i.e. vesting period) as determined by the Board. In the case of a Director or an employee of the Group, the grantee must remain at all times a Director or an employee of the Group. Clawback will be applied where there is exceptionally poor performance, misconduct or material breach of terms of employment or rules or policies of the Company prior to the vesting date and the Board will determine to vary or cancel the relevant award.

SHARE AWARD SCHEME (Continued)

Awarded Shares are generally granted on the basis of the individual performance of the relevant grantee, and vested in three tranches over three years with dates determined by the Board subject to fulfilment of performance target(s) and condition(s). The most common performance target is "attaining "good" or better performance rating for all appraisals conducted during the vesting period". Taking 'vest-in-tranches' into consideration, vesting periods of awarded Shares granted generally range from 1 to 3 years.

According to the letter of award, the amount payable on acceptance of the grant of awarded Shares is HK$1.00 with no deadline specified. No monetary payment has to be made by grantee to acquire share awards under the Share Award Scheme.

The total number of Shares to be awarded under the Share Award Scheme should not exceed 4% of the number of issued Shares (i.e. 5,326,179,615 Shares) as at the date of grant, which is 213,047,184. 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, which is 53,261,796.

Under the Share Award Scheme, a total of 111,721,810 Shares, representing approximately 2.10% of the issued Shares, have been awarded and the total number of Shares available for being further awarded is 101,325,374, representing approximately 1.90% of the issued Shares, as at the date of this report.

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).

The Share Award Scheme is valid and effective for 10 years commencing on May 9, 2014 and ending on May 8, 2024. No further share awards should be granted upon termination or expiry of the term of the Share Award Scheme. Given the Share Award Scheme will be due to expire by the end of May 8, 2024, the Board at a meeting held on November 13, 2023, upon recommendation by the Remuneration Committee, resolved to extend the Share Award Scheme for a further term of 10 years commencing on May 9, 2024 by amending and restating the rules and trust deed relating to the Share Award Scheme, which will also come into effect on May 9, 2024. Pursuant to the amendment and restatement, other than the term of the Share Award Scheme was being extended, certain other provisions of the rules and trust deed were also amended and restated to keep the Share Award Scheme abreast of the times and the latest requirements of the Listing Rules. In addition, to improve the effectiveness of the Share Award Scheme for motivating employees of the Group to strive for excellence in their work, the Board at the same time, upon recommendation by the Remuneration Committee, resolved to amend the general vesting condition that was in relation to the individual performance of the employees (i.e. attaining "good" or better performance rating for the appraisal conducted immediately preceding the vesting date of the relevant tranche of awarded Shares), which will come into effect on May 9, 2024.

DIRECTORS' REPORT

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, 2023	Granted during the year	Lapsed/ cancelled during the year	Vested during the year	Balance as at December 31, 2023
Director/Chief Executive							
Yu Huan-Chang	11.11.2022	11.11.2022-10.11.2023	360,000	-	-	(360,000)	-
	11.11.2022	11.11.2022-10.11.2024	360,000	-	-	-	360,000
	11.11.2022	11.11.2022-10.11.2025	480,000	-	-	-	480,000
Wang Jun	24.03.2021	24.03.2021-23.09.2023	144,000	-	-	(144,000)	-
	24.03.2021	24.03.2021-23.03.2024	240,000	-	-	-	240,000
Sub-total			1,584,000	-	-	(504,000)	1,080,000
Employees in aggregate							
	24.03.2021	24.03.2021-23.09.2023	1,759,500	-	(108,300)	(1,651,200)	-
	24.03.2021	24.03.2021-23.03.2024	2,932,500	-	(180,500)	-	2,752,000
	13.08.2021	13.08.2021-12.02.2023	377,400	-	-	(377,400)	-
	13.08.2021	13.08.2021-12.02.2024	566,100	-	(42,900)	-	523,200
	13.08.2021	13.08.2021-12.08.2024	943,500	-	(71,500)	-	872,000
Sub-total			6,579,000	-	(403,200)	(2,028,600)	4,147,200
Grand total			8,163,000	-	(403,200)	(2,532,600)	5,227,200
Five highest paid individuals in aggregate							
	24.03.2021	24.03.2021-23.09.2023	463,500	-	-	(463,500)	-
	24.03.2021	24.03.2021-23.03.2024	772,500	-	-	-	772,500
Total			1,236,000	-	-	(463,500)	772,500

The weighted average closing price of the Shares immediately before the dates on which the awards that were vested during the year was HK$0.68 per Share.

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

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Under the YY Share Award Scheme and subject to certain vesting conditions, the following 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
Yu Huan-Chang	01.06.2021	30,000	31.05.2023	30,000	–
	28.06.2023	90,000	31.05.2025	–	90,000
Hu, Chia-Ho	01.06.2021	60,000	31.05.2023	60,000	–
	23.03.2023	62,000	01.06.2023	62,000	–
	28.06.2023	45,000	31.05.2025	–	45,000
Liao, Yuang-Whang[1]	01.06.2021	30,000	31.05.2023	30,000	–
	28.06.2023	90,000	31.05.2025	–	90,000

note:

1 Mr. Liao, Yuang-Whang resigned from all his positions with the Group on September 4, 2023.

Save as disclosed herein and as stated in the section "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, 2023, 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 Executive's 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, 2023 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. Chen, Huan-Chung, a Director, is also an independent director of PCC.

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any other person (other than the Directors or Chief Executive) 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.

CONTINUING CONNECTED TRANSACTIONS

Purchase of Footwear Products from Yue Yuen

On November 11, 2021, the Company entered into a framework agreement with Yue Yuen (the "YY Footwear Agreement"), pursuant to which the Company might, through its subsidiaries, jointly controlled entities and associates, 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 footwear products on a cost-plus basis taking into account the raw material and labour costs, factory management and sales expenses and profit margin for the period from January 1, 2022 to December 31, 2024 subject to the following annual caps:

Year	Annual Cap (exclusive of value-added tax ("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

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.

Details of the YY Footwear Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated November 11, 2021.

For the year ended December 31, 2023, there were no purchases transacted under the YY Footwear Agreement.

Distribution Sales of a Subsidiary to Shandong Liwei Trading Company Limited ("Shandong Liwei")

On December 19, 2022, Qingdao Pou Sheng International Sporting Goods Company Limited ("Qingdao Pou Sheng"), an indirect non wholly-owned subsidiary of the Company, entered into a master distribution agreement with Shandong Liwei (the "2023 Distribution Agreement"), pursuant to which Qingdao Pou Sheng agreed to supply sportswear and footwear products to Shandong Liwei on non-exclusive basis from January 1, 2023 to December 31, 2023 subject to the maximum annual cap of RMB50.0 million.

The sportswear and footwear products should be supplied on a cost-plus basis with an average gross profit margin (net of discounts) of between 10% to 15% taking into account the general gross profit margin for distribution of similar products in the PRC.

Details of the 2023 Distribution Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated December 19, 2022.

The total transaction amount of the 2023 Distribution Agreement and the transactions contemplated thereunder was approximately RMB34.7 million.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Distribution Sales of a Subsidiary to Shandong Liwei Trading Company Limited ("Shandong Liwei") (Continued)

Since the 2023 Distribution Agreement was due to expire on December 31, 2023, on December 27, 2023, Qingdao Pou Sheng entered into a new master distribution agreement with Shandong Liwei (the "2024-26 Distribution Agreement"), pursuant to which Qingdao Pou Sheng agreed to supply sportswear and footwear products to Shandong Liwei on non-exclusive basis from January 1, 2024 to December 31, 2026 subject to the following maximum annual caps:

Year	Maximum Annual Cap
January 1, 2024 to December 31, 2024	RMB44,000,000
January 1, 2025 to December 31, 2025	RMB45,000,000
January 1, 2026 to December 31, 2026	RMB47,000,000

The sportswear and footwear products should be supplied on the same pricing basis as the 2023 Distribution Agreement except the average gross profit margin (net of discounts) should be between 10% to 20%.

Details of the 2024-26 Distribution Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated December 27, 2023.

Since Shandong Liwei was a substantial shareholder of Qingdao Pou Sheng and was owned as to 70% by one of the directors of Qingdao Pou Sheng, Mr. Liu Guozhong, it was a connected person of the Company at the subsidiary level as at the dates on which the 2023 Distribution Agreement and 2024-26 Distribution Agreement being entered into.

Lease of a Branch of a Subsidiary with Hung Tak Investment Limited ("Hung Tak")

On December 19, 2022, Yue-Shen (Taicang) Footwear Co., Ltd. Dongguan Branch ("Yue-Shen Taicang"), a branch of an indirect wholly-owned subsidiary of the Company, entered into a lease agreement with Hung Tak (the "Lease Agreement"), pursuant to which Hung Tak agreed to lease the factory building of Block F, Yue Yuen Industrial Estate, Gaobu Town, Dongguan, Guangdong Province, PRC to Yue-Shen Taicang for logistics and storage purposes from January 1, 2023 to December 31, 2023. The monthly rental and lease premium payable under the Lease Agreement are approximately RMB296,000 (inclusive of 5% VAT) and approximately RMB900,000, subject to the annual cap of approximately RMB4,444,000.

The monthly rental was based on the open market rates, which were referenced to valuations performed by Cushman & Wakefield Limited, an independent professional valuer, and was not higher than the monthly rental appraised by such independent valuer.

As at December 19, 2022, Hung Tak was a wholly-owned subsidiary of Godalming Industries Limited, a company owned as to approximately 85.45% by a discretionary trust and its sub-funds for the benefits of Tsai's family members (including Ms. Tsai Patty, Pei-Chun, a NED). Therefore, Hung Tak was an associate of Ms. Tsai and a connected person of the Company.

Details of the Lease Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated December 19, 2022.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Lease of a Branch of a Subsidiary with Hung Tak Investment Limited ("Hung Tak") (Continued)

The total rental and lease premium paid under the Lease Agreement was approximately RMB4.44 million (inclusive of 5% VAT).

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 its findings and 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 PARTY TRANSACTIONS

Details of related party transactions for the year are set out in Note 31 to the consolidated financial statements.

Save as the connected transactions and continuing connected transactions disclosed above, all other related party transactions did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules.

With regard to the related party transactions which also constitute connected transactions or continuing connected transactions as set out in the section headed "Continuing Connected Transactions" above, 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, 2023, 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 61% and 96% 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 reviewed and recommended by the Remuneration Committee and are decided by the Board, as authorised by the Shareholders at the annual general meeting, having regard to, inter alia, the Group's performance and financial position, individual performance and comparable market statistics. Further details are set out in the section "Remuneration Committee" of the Corporate Governance Report on page 56.

Pursuant to E.1.5 of the Corporate Governance Code (the "CG Code") , the remuneration of the senior management of the Company by band for the year ended December 31, 2023 was set out in Note 9(b) to the consolidated financial statements.

The Company has adopted the 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 section "Share Award Scheme" and Note 27 to the consolidated financial statements.

PENSION SCHEME

The Group is committed to comply with all applicable laws and regulations relating to workplace pensions in all the jurisdictions in which the Group operates.

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.

PENSION SCHEME (Continued)

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 RMB322.4 million to the abovementioned schemes for the year ended December 31, 2023.

Further information is provided in Note 29 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, 2023 and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 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 2024 AGM.

On behalf of the Board

Yu Huan-Chang
Chairman
Hong Kong
March 13, 2024

CORPORATE GOVERNANCE REPORT

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. The Group's governance structure is effective that independent views and input are provided to the Board.

CORPORATE GOVERNANCE PRACTICES

During the year ended December 31, 2023, the Company has applied the principles of, and has complied with all applicable code provisions and, where applicable, the recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 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.

As at the date of this report, the Board comprises the following eight Directors:

Executive Directors ("ED(s)")
Mr. Yu Huan-Chang (Chairman)
Mr. Hu, Chia-Ho
Mr. Chen, Li-Chieh (Chief Financial Officer)[1]

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

Independent Non-executive Directors ("INED(s)")
Mr. Chen, Huan-Chung
Mr. Feng Lei Ming
Mr. Liu, Hsi-Liang

note:

1 Mr. Chen, Li-Chieh was appointed as an ED with effect from September 4, 2023.

As at the date of this report, none of the members of the Board have any relationship with each other.

BOARD OF DIRECTORS (Continued)

The Board (Continued)

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 of the Company (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. Five 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 are set out in the table herein. The annual meetings schedule is made available to Directors before the commencement of 2023 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 seek 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 together with related Board or committees papers 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 annual general meeting ("AGM") during the year:

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	Disclosure Committee Meeting[3]	Chairman and INEDs Meeting	AGM
	Number of meeting(s) attended/held						
Executive Directors							
Yu Huan-Chang	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Hu, Chia-Ho	5/5	N/A	1/1	N/A	N/A	N/A	1/1
Chen, Li-Chieh[1]	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Liao, Yuang-Whang[2]	3/3	N/A	N/A	N/A	N/A	N/A	1/1
Non-executive Directors							
Tsai Patty, Pei Chun	5/5	4/4	N/A	N/A	N/A	N/A	1/1
Li I-nan	5/5	N/A	N/A	3/3	N/A	N/A	1/1
Independent Non-executive Directors							
Chen, Huan-Chung	5/5	4/4	1/1	3/3	N/A	1/1	1/1
Feng Lei Ming	5/5	4/4	1/1	N/A	N/A	1/1	1/1
Liu, Hsi-Liang	5/5	N/A	N/A	3/3	N/A	1/1	1/1

notes:

1 Mr. Chen, Li-Chieh was appointed as an ED with effect from September 4, 2023.

2 Mr. Liao, Yuang-Whang resigned as an ED with effect from September 4, 2023.

3 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, 2023 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

During the year, the roles and responsibilities of the Chairman and the CEO are separate and are not preformed by the same individual to ensure a balance of power and authority and set out in writing in our Statement of Policy on Corporate Governance (the "Statement of Policy on Corporate Governance"). The Chairman, Mr. Yu Huan-Chang, provides leadership and governance to the Board and ensure that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategies and policies and that Board decisions taken are in the Group's best interests and fairly reflect the Board's consensus. The CEO, Mr. Wang Jun, leads the management in the day-to-day operations of the Group's business in accordance with the business plans, develop and propose the Group's strategic plans and formulate the organisational structure, control systems and internal procedures and processes for the Board's approval.

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, 2023, 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. Feng Lei Ming and Mr. Liu, Hsi-Liang, 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, professional and educational background, professional qualifications and experiences, skills, knowledge, reputation for integrity, length of service and independence for the Board, 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 next AGM following their appointments.

Besides that, at least one-third of Directors shall retire from office every year at the Company's AGM. 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 C.1.4 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 two briefing sessions which included review of Listing Rules relating to share schemes of listed issuers by Reed Smith Richards Butler LLP and disclosure of inside information and insider dealing by Deacons for the Directors. If the Directors are not able to attend the briefing sessions, training handouts will be distributed to those Directors for their self-studying. The Company Secretary facilitates the induction and training of 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 relating to the business or directors' duties
Executive Directors	
Yu Huan-Chang	✓
Hu, Chia-Ho	✓
Chen, Li-Chieh[1]	✓
Liao, Yuang-Whang[2]	✓
Non-executive Directors	
Tsai Patty, Pei Chun	✓
Li I-nan	✓
Independent Non-executive Directors	
Chen, Huan-Chung	✓
Feng Lei Ming	✓
Liu, Hsi-Liang	✓

notes:

1 Mr. Chen, Li-Chieh was appointed as an ED with effect from September 4, 2023.

2 Mr. Liao, Yuang-Whang resigned as an ED with effect from September 4, 2023.

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 review and 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;
- reviewed the audit and non-audit services provided by the external auditor and the relevant service fees;
- reviewed and recommended amendments to risk management policy and annual risk management report to the Board for approval; and
- reviewed and recommended the policy on non-assurance services provided by external auditor to the Board for approval.

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. Liu, Hsi-Liang (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, Chief Executive and Senior Management to the Board for approval;
- reviewed and recommended the remuneration packages of an ED and the Chief Financial Officer, a NED, an INED and the CEO to the Board for approval;
- evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of its terms of reference;
- recommended the vest and cancellation of share awards of the Group to the Board for approval;
- reviewed the status of the share awards under the Share Award Scheme; and
- reviewed and recommended the proposals of the extension of the Share Award Scheme and change of vesting condition to the Board for approval.

The Remuneration Committee held three 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. Feng Lei Ming (Chairman), Mr. Chen, Huan-Chung and Mr. Hu, Chia-Ho.

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;
- reviewed and recommended the re-designation of the acting CEO to CEO to the Board for approval;
- assessed the independence of INEDs;
- reviewed the retirement and nominated the re-election of retiring Directors at the 2023 AGM;
- reviewed the structure, size, composition and diversity of the Board; and
- reviewed the Nomination Policy for Directors.

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

Board Diversity

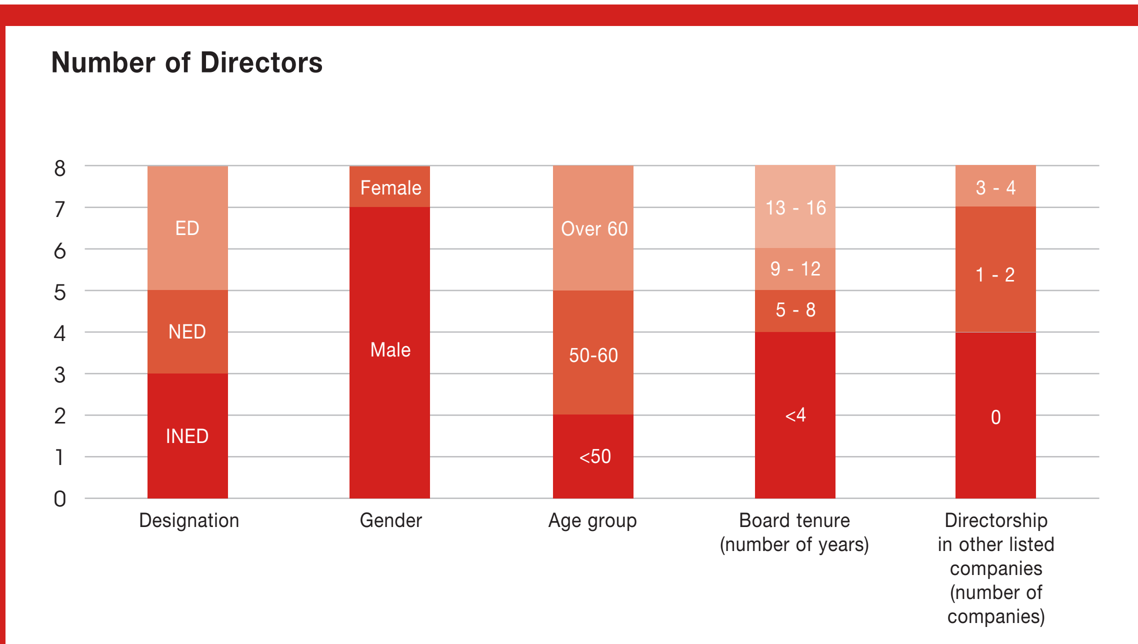
On August 13, 2013, the Board adopted a Board Diversity Policy which was subsequently amended on March 15, 2022. The Company considers increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural, professional and educational background, professional qualifications and experiences, skills, knowledge, length of service and independence. 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.

During the year ended December 31, 2023, there was 1 female Director out of 8 Directors (approximately 13%). The Board is committed to have not less than 1 female director and will timely review the gender diversity at board level and across the workforce according to the business development of the Group. For gender ratio in the workforce (including senior management) of the Group, please refer to the 2023 Environmental, Social and Governance Report of the Group.

BOARD COMMITTEES (Continued)

Board Diversity (Continued)

The Nomination Committee is also responsible to review the Board Diversity Policy, the measurable objectives and monitor the implementation of the Board Diversity Policy. An analysis of the Board's current composition based on the measurable objectives is set out below:



Academic Background		Experience/Expertise	
Business Administration	38%	Sportswear Industry	63%
Economics/Finance/Account	25%	Accounting Expertise	13%
Others	63%	Equity Investment/Financial Services	100%
		Human Resources	13%
		Information Technology/Electronics	25%

The Company believes that it has maintained an effective Board comprising members of different genders, age, professional background and industry experience. The Company's Board Diversity Policy was consistently implemented.

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 three EDs: Mr. Yu Huan-Chang (Chairman), Mr. Hu, Chia-Ho and Mr. Chen, Li-Chieh.

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 A.2.1 of Appendix C1 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, 2023, 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 RMB4,346,000 (2022: approximately RMB4,059,000) and in respect of non-audit services rendered is approximately RMB1,072,000 (2022: approximately RMB1,528,000). The non-audit services include review of interim financial statements, professional services rendered in connection with tax filing in Hong Kong and other tax consultancy, 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 69 to 74.

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 for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 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, 2023.

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. All of them are reminded to comply with the Employees Guidelines quarterly.

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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Yip Wing Ming, the Company Secretary, who is also the Financial Controller of the Company, 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 or resolution 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 AGM) 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 AGM 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 requisitions 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 engage effectively with the investors, the Company maintains ongoing dialogue with the Shareholders, and investment community through AGM and other general meetings that may be convened, non-deal roadshows, participation in investor conferences and one-on-one meetings with institutional investors. The Board has adopted the Shareholders Communication Policy on March 5, 2012, which was subsequently amended on March 22, 2019, March 15, 2022 and March 13, 2024 and is regularly reviewed to ensure its effectiveness. During the year, the Company reviewed the implementation and effectiveness of the Shareholders Communication Policy and considered it to be effective.

The Company shall publish interim and annual reports and other corporate communications including but not limited to announcements, circulars, notices and other regulating disclosures on the website of the Hong Kong Exchanges and Clearing Limited in a timely manner in accordance with the Listing Rules. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Corporate communications will be published in both Chinese and English. The Shareholders are requested to provide their updated and functional email addresses to the Company's Hong Kong branch share registrar and transfer office in order to receive (i) corporate communications; and (ii) actionable corporate communications electronically.

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 and to gain understanding of the views of Shareholders.

In addition, the Shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, if they have any enquiries about their shareholdings or entitlement to dividend. To promote effective communication during the year, the Company maintains its website at www.pousheng.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are promptly updated and available for public access.

CONSTITUTIONAL DOCUMENTS

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

An up-to-date consolidated version of the Company's constitutional documents is available on the websites of each of the Company and the Stock Exchange.

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 the 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.

Control Effectiveness

In respect of the year ended December 31, 2023, 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.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

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.

Whistleblowing Policy

The "Whistleblowing Policy" was established on March 14, 2022 to (i) encourage and assist any employee(s) or external parties to raise the concern about any suspected fraud, malpractice, misconduct or irregularity (the "Concern") and disclose related information confidentially; (ii) provide reporting channels and guidance on whistleblowing to employees or external parties to raise the Concern rather than neglecting it; and (iii) reveal suspected fraud, malpractice or misconduct before these activities cause disruption or loss to the Group. The Audit Committee has the overall responsibility for Whistleblowing Policy, but has delegated the day-to-day responsibility for overseeing and implementing this policy to the head of internal audit. The Audit Committee is responsible for monitoring and reviewing the effectiveness of Whistleblowing Policy and the actions resulting from the investigation.

During the year, no whistleblowing cases were reported to the Board.

Anti-bribery and anti-corruption

The Board had adopted the "Prevention of Bribery Policy" on March 15, 2022 to promote and support anti-corruption laws and regulations. The Company is committed to promoting the highest standards of business ethics and complying with all applicable laws, including the prevention of bribery legislations in the jurisdictions in which the Company operates and conducts business activities. The Company adopts a zero-tolerance attitude towards briberies in any form in any country in which the Company operates or conducts business activities.

For anti-corruption system, the head of human resources and general administration department of the Company shall from time to time identify and assess the risks of corruption in the context of the Company and develop mitigation measures accordingly (including the provision of appropriate training and explanations).

During the year, no concluded legal cases regarding corrupt practices against the Company or its employees had been reported.

INDEPENDENT AUDITOR'S REPORT

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 75 to 167, which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy information and other explanatory information.

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, 2023, 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.

INDEPENDENT AUDITOR'S REPORT

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, 2023 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 value in use. 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, 2023.	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 in the 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 parameters applied by the independent valuer; • Evaluating the 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 accuracy of historical forecasts of 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, 2023 was RMB4,704,713,000 and the net changes in allowance for inventories credited to the consolidated income statement for the year ended December 31, 2023 was RMB78,882,000. Accumulated allowance made as at December 31, 2023 was RMB154,252,000. 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 those inventories with carrying amounts higher than their respective net realisable values, including 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 estimation of allowance for inventories and identification of obsolete and slow-moving inventories; • Evaluating the accuracy of aging analysis of inventories and checking, on a sample basis, to the supporting documents; • Based on historical sales data of inventories in different aging categories, developing a point estimate to evaluate the allowance for inventories made by the management of the Group; and • Performing retrospective review on actual sales performance in 2023 for those inventories as at December 31, 2022.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR’S REPORT

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 Li Kin Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 13, 2024

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	20,064,497	18,638,021
Cost of sales		(13,308,517)	(11,949,975)
Gross profit		6,755,980	6,688,046
Other operating income and gains (losses)	6(a)	319,850	342,839
Selling and distribution expenses		(5,588,228)	(5,806,761)
Administrative expenses		(751,741)	(809,594)
Operating profit		735,861	414,530
Finance costs		(92,335)	(166,759)
Finance income		37,615	22,235
	6(b)	(54,720)	(144,524)
Other gains (losses)	6(c)	(24,432)	(7,143)
Profit before taxation		656,709	262,863
Income tax expense	7	(153,501)	(162,625)
Profit for the year	8	503,208	100,238
Attributable to:			
Owners of the Company		490,425	89,164
Non-controlling interests		12,783	11,074
		503,208	100,238
		RMB cents	RMB cents
Earnings per share	11		
– Basic		9.47	1.72
– Diluted		9.46	1.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 RMB'000	2022 RMB'000
Profit for the year	503,208	100,238
Other comprehensive income (expense)		
An item that will not be reclassified to profit or loss		
Fair value gain (loss) on investments in equity instrument at fair value through other comprehensive income	79	(1,155)
An item that may be reclassified subsequently to profit or loss		
Exchange differences arising on the translation of foreign operations	(1,185)	(1,790)
Other comprehensive expense for the year	(1,106)	(2,945)
Total comprehensive income for the year	502,102	97,293
Attributable to:		
Owners of the Company	489,319	86,219
Non-controlling interests	12,783	11,074
	502,102	97,293

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Investment properties	12	129,700	87,700
Property, plant and equipment	13	781,568	886,396
Right-of-use assets	14	1,743,073	2,281,544
Deposits paid for acquisition of property, plant and equipment		25,063	36,934
Rental deposits		125,098	143,467
Intangible assets	15	85,820	61,815
Goodwill	16	522,163	522,163
Interests in joint ventures	17	–	–
Equity instrument at fair value through other comprehensive income		1,921	1,813
Bank deposits over three months	21	250,000	–
Deferred tax assets	18	110,222	161,321
		3,774,628	4,183,153
CURRENT ASSETS			
Inventories	19	4,704,713	6,071,858
Trade and other receivables	20	2,101,577	2,149,713
Taxation recoverable		52,577	3,989
Bank deposits over three months	21	796,615	–
Cash and cash equivalents	21	1,827,563	1,190,148
		9,483,045	9,415,708
CURRENT LIABILITIES			
Trade and other payables	22	2,485,038	2,190,904
Contract liabilities	23	303,726	447,916
Taxation payable		17,928	71,599
Bank borrowings	24	39,202	456,162
Lease liabilities	25	625,826	774,164
		3,471,720	3,940,745
NET CURRENT ASSETS		6,011,325	5,474,963
TOTAL ASSETS LESS CURRENT LIABILITIES		9,785,953	9,658,116

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	22,931	24,569
Lease liabilities	25	1,152,441	1,439,627
		1,175,372	1,464,196
NET ASSETS		8,610,581	8,193,920
CAPITAL AND RESERVES			
Share capital	26	46,438	46,438
Reserves		8,471,693	8,067,815
Equity attributable to owners of the Company		8,518,131	8,114,253
Non-controlling interests		92,450	79,667
TOTAL EQUITY		8,610,581	8,193,920

The consolidated financial statements on pages 75 to 167 were approved and authorised for issue by the board of directors of the Company on March 13, 2024 and are signed on its behalf by:

Yu Huan-Chang
CHAIRMAN AND
EXECUTIVE DIRECTOR

Hu, Chia-Ho
EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	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	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, 2022	46,438	5,145,233	676,506	(1,492,936)	55,395	29,544	6,381	721	(217,103)	8,246	817,869	(11,782)	3,030,952	8,095,464	106,732	8,202,196
Fair value loss on investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,155)	-	-	-	-	-	(1,155)	-	(1,155)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	(1,790)	-	(1,790)	-	(1,790)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	89,164	89,164	11,074	100,238
Total comprehensive (expense) income for the year	-	-	-	-	-	-	-	(1,155)	-	-	-	(1,790)	89,164	86,219	11,074	97,293
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	-	3,375	-	-	-	3,375	-	3,375
Share award vested	-	-	-	-	-	-	-	-	9,402	(6,879)	-	-	(2,523)	-	-	-
Disposal of subsidiaries (Note 6(c))	-	-	-	8,182	-	-	-	-	-	-	-	-	(8,182)	-	(4,539)	(4,539)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,600)	(33,600)
Dividends recognised as distribution (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	(70,805)	(70,805)	-	(70,805)
Transfer	-	-	-	-	-	-	-	-	-	-	255,003	-	(255,003)	-	-	-
At December 31, 2022	46,438	5,145,233	676,506	(1,484,754)	55,395	29,544	6,381	(434)	(207,701)	4,742	1,072,872	(13,572)	2,783,603	8,114,253	79,667	8,193,920
Fair value gain on investments in equity instrument at fair value through other comprehensive income	-	-	-	-	-	-	-	79	-	-	-	-	-	79	-	79
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	(1,185)	-	(1,185)	-	(1,185)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	490,425	490,425	12,783	503,208
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	79	-	-	-	(1,185)	490,425	489,319	12,783	502,102
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	-	-	-	-	-	-	-	-	-	2,442	-	-	-	2,442	-	2,442
Share award vested	-	-	-	-	-	-	-	-	3,513	(2,896)	-	-	(617)	-	-	-
Dividend recognised as distribution (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-	(87,883)	(87,883)	-	(87,883)
Transfer	-	-	-	-	-	-	-	-	-	-	60,503	-	(60,503)	-	-	-
At December 31, 2023	46,438	5,145,233	676,506	(1,484,754)	55,395	29,544	6,381	(355)	(204,188)	4,288	1,133,375	(14,757)	3,125,025	8,518,131	92,450	8,610,581

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, 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	656,709	262,863
Adjustments for:		
Depreciation of property, plant and equipment	363,636	481,651
Depreciation of right-of-use assets	882,475	1,082,593
Impairment loss on property, plant and equipment and right-of-use assets	27,781	20,000
Loss on disposal of subsidiaries	–	5,943
Amortisation of intangible assets	9,067	8,438
Net changes in allowance for inventories	(78,882)	76,018
Impairment losses recognised on trade receivables, net	8,894	5,751
Impairment losses recognised (reversal) on other receivables, net	858	(124)
Impairment losses recognised on amount due from a related party	–	313
Interest expenses	92,335	166,759
Interest income	(37,615)	(22,235)
Recognition of equity-settled share-based payments, net of amount lapsed relating to share awards not yet vested	2,442	3,375
Loss on disposal of property, plant and equipment	29,712	26,045
Fair value changes on investment properties	24,800	1,200
Fair value gain on a currency swap contract	(368)	–
Operating cash flows before movements in working capital	1,981,844	2,118,590
Decrease in prepayments	158,291	260,017
(Increase) decrease in trade and other receivables	(139,441)	339,270
Decrease in inventories	1,446,027	1,249,410
Increase (decrease) in trade and other payables	307,926	(1,134,664)
(Decrease) increase in contract liabilities	(144,190)	2,272
Cash generated from operations	3,610,457	2,834,895
Income tax paid	(206,299)	(168,462)
NET CASH FROM OPERATING ACTIVITIES	3,404,158	2,666,433

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTE	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Placement of bank deposits over three months		(1,146,615)	–
Payment for acquisition of property, plant and equipment		(311,082)	(311,635)
Payment for a currency swap contract		(89,917)	–
Payment for acquisition of intangible assets		(33,072)	–
Payments for right-of-use assets		(4,968)	(10,066)
Withdrawal of bank deposits over three months		100,000	–
Receipt for a currency swap contract		90,285	–
Refund of rental deposits		37,903	30,385
Interest received		37,615	22,235
Proceeds from disposal of property, plant and equipment		4,555	11,436
Advance to a non-controlling interest of a subsidiary		–	(102,000)
Repayments from a non-controlling interest of a subsidiary		–	136,000
Net cash inflow on disposal of subsidiaries	6(c)	–	3,826
NET CASH USED IN INVESTING ACTIVITIES		(1,315,296)	(219,819)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Repayments of bank borrowings	(942,491)	(3,193,321)
Repayments of lease liabilities, including related interests	(936,987)	(1,194,934)
Dividend paid	(87,883)	(70,805)
Interest paid on bank borrowings and amount due to a non-controlling interest of a subsidiary	(8,178)	(64,590)
New bank borrowings raised	524,800	2,069,175
Dividend paid to a non-controlling interest of a subsidiary	–	(33,600)
NET CASH USED IN FINANCING ACTIVITIES	(1,450,739)	(2,488,075)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	638,123	(41,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,190,148	1,233,783
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(708)	(2,174)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,827,563	1,190,148

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 35.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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, 2023 for the preparation of consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities.

The Group recognised the deferred tax assets associated with the lease liabilities of approximately RMB703.8 million and RMB553.3 million as at January 1, 2022 and December 31, 2022 respectively and deferred tax liabilities associated with the right-of-use assets of approximately RMB671.9 million and RMB520.7 million as at January 1, 2022 and December 31, 2022 respectively on a gross basis but it has no impact on the Group's financial position as the related deferred tax assets and liabilities continues to offset for the purpose of presentation in the consolidated statement of financial position. There is also no impact on the Group's performance and the accumulated profits at the earliest period presented.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3.

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

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after January 1, 2024.
3 Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (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 input 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 Material accounting policy information

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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 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 an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations

A business is an integrated set of activities and assets which include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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 "Share-based Payment" at the acquisition date (see the accounting policy below);

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations (Continued)

- 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 "Leases") 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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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 and not larger than an operating segment.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

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 or 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.

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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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 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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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.

Except for those that are classified as investment properties and measured under fair value model, 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 that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. 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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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.

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 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).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share award scheme (Continued)

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.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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.

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 investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

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.

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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.

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.

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 cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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

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.

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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits and cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of short-term financial instruments, bank balances and cash as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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 and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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 for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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.

(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.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other operating income and gains (losses)" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including amount due from a related party, trade and other receivables and bank balances, short-term financial instruments and bank deposits over three months) 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.

(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;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(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.

(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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other operating income and gains (losses)' line item (Note 6a) as part of the net exchange gains/(losses);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains (losses)' line item as part of the fair value gain of a currency swaps contract (Note 6c);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the reserve on instruments at FVTOCI.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

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 a non-controlling interest of a subsidiary, bank borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other operating income and gain (losses)' line item in profit or loss (note 6a) as part of net exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

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.

(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.

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.

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, 2023, the carrying amount of goodwill is RMB522,163,000 (2022: RMB522,163,000). 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 RMB4,704,713,000 (2022: RMB6,071,858,000) at the end of the reporting period, and makes allowance for those inventories with carrying amounts higher than their net realisable values, including 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 condition. 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 credited to the consolidated income statement for the year ended December 31, 2023 was RMB78,882,000 (2022: debited of RMB76,018,000) upon review of saleability of the inventory balance remained at the end of the reporting period. Accumulated allowance made as at December 31, 2023 was RMB154,252,000 (2022: RMB233,109,000).

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, 2023, a deferred tax asset of RMB86,932,000 (2022: RMB128,690,000) 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 RMB1,673,489,000 (2022: RMB1,386,587,000) due to the unpredictability of future profit streams. The reliability of the deferred tax asset arising from the unused tax losses 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. 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 33(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, 2023, 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. During the year ended December 31, 2022, impairment losses on property, plant and equipment and right-of-use assets of RMB4,403,000 and RMB15,597,000 were recognised respectively and detailed in Note 14.

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:

	2023 RMB'000	2022 RMB'000
Sales of sportswear and footwear products	19,946,875	18,528,602
Commissions from concessionaire sales	117,622	109,419
	20,064,497	18,638,021

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.

Information about major customers

The directors of the Company are not aware of any customer that individually contributed over 10% of the consolidated revenue from external customers for both year ended December 31, 2023 and 2022.

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)	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
PRC	19,895,543	18,468,636	3,409,508	4,003,601
Other locations	168,954	169,385	2,977	16,418
	20,064,497	18,638,021	3,412,485	4,020,019

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

6. OTHER INCOME AND GAINS (LOSSES)

(a) Other operating income and gains (losses)

	2023 RMB'000	2022 RMB'000
Included in other operating income and gains (losses) are the following items:		
Net exchange loss	(616)	(334)
Subsidy income from governments	60,678	97,734
Loss on disposal of property, plant and equipment	(29,712)	(26,045)
Impairment losses recognised on trade receivables, net	(8,894)	(5,751)
Impairment losses (recognised) reversal on other receivables, net (note)	(858)	124
Impairment losses recognised on amount due from a related party	–	(313)

note: Impairment losses provision has been recognised based on the impairment assessment under ECL model at the end of each reporting period, having considered the relevant other receivables are credit-impaired due to deteriorated operating results of relevant debtors leading to financial difficulties for repayment. During the year ended December 31, 2023, net impairment losses of RMB858,000 has been recognised (2022: net impairment loss reversal of RMB124,000 recognised).

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

(b) Finance income and costs

	2023 RMB'000	2022 RMB'000
Interest expense on:		
– bank borrowings	(6,605)	(58,431)
– advance from a non-controlling interest of a subsidiary	(120)	(123)
– lease liabilities	(85,610)	(108,205)
	(92,335)	(166,759)
Interest income from:		
– bank deposits	37,615	20,529
– advance to a non-controlling interest of a subsidiary	–	1,706
	37,615	22,235
	(54,720)	(144,524)

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

	2023 RMB'000	2022 RMB'000
Fair value gain on a currency swap contract	368	–
Fair value changes on investment properties	(24,800)	(1,200)
Loss on disposal of subsidiaries (note)	–	(5,943)
	(24,432)	(7,143)

note: During the year ended December 31, 2022, the Group disposed, to an independent third party, its entire equity interest in a group of non-wholly owned subsidiaries which are principally engaged in retailing of sportwear business in the PRC for a consideration of RMB10,461,000. Upon the disposal, amount included in other reserve attributable to this disposed group of subsidiaries of RMB8,182,000 was transferred to accumulated profits. The proceeds from disposal, net of cash and cash equivalents disposed of, amounted to RMB3,826,000.

7. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Taxation attributable to the Company and its subsidiaries:		
PRC Enterprise Income Tax ("EIT")		
– current year	112,594	224,851
– (over)underprovision in prior years	(14,723)	9,806
Withholding tax on dividend	6,169	34,846
Current tax charge	104,040	269,503
Deferred tax charge (credit) (Note 18)	49,461	(106,878)
	153,501	162,625

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 eligible for PRC EIT of 15% from local tax bureaus.

Dividend distributed from the PRC subsidiaries are subject to withholding tax of 5%.

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

	2023 RMB'000	2022 RMB'000
Profit before taxation	656,709	262,863
Tax at the applicable domestic rates to profit (losses) of taxable entities in the countries concerned (note)	138,821	40,591
Tax effect of expenses not deductible for tax purposes	31,492	40,425
Tax effect of income not taxable for tax purposes	(28,152)	(13,738)
Effect of tax losses not recognised	22,151	53,848
Utilisation of tax losses previously not recognised	(2,257)	(3,153)
(Over)underprovision of tax in prior years	(14,723)	9,806
Withholding tax on dividend	6,169	34,846
Income tax expenses for the year	153,501	162,625

note: The Group operates in regions with different statutory tax rates, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated.

8. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and the chief executives' emoluments (Note 9(a))	4,696	3,881
Retirement benefit scheme contributions, excluding directors and the chief executives	322,169	381,645
Equity-settled share-based payments, excluding directors and the chief executives	2,022	3,130
Other staff costs	1,951,107	2,036,942
Total staff costs	2,279,994	2,425,598
Auditor's remuneration	5,418	5,587
Depreciation of property, plant and equipment	363,636	481,651
Depreciation of right-of-use assets	882,475	1,082,593
Amortisation of intangible assets (included in selling and distribution expenses)	9,067	8,438
Impairment loss on property, plant and equipment and right-of-use assets (included in selling and distribution expenses) (Note 14)	27,781	20,000
Gross rental income from investment properties, net of direct expenses	(4,000)	(3,934)
Net changes in allowance for inventories	(78,882)	76,018

For the years ended December 31, 2023 and 2022, cost of inventories recognised as an expense, including net changes in allowance for inventories, represents cost of sales as shown in the consolidated income statement.

For the year ended December 31, 2023, the novel coronavirus (COVID-19) pandemic related government grants/assistances amounted to nil (2022: RMB21,329,000) 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 ten (2022: twelve) directors, former directors and chief executives 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	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2023					
Executive directors:					
Yu Huan-Chang (note i)	–	704	–	271	975
Hu, Chia-Ho (note ii)	–	420	–	–	420
Liao, Yuang-Whang (note v)	–	290	–	–	290
Chen, Li-Chieh (note ix)	–	204	–	–	204
Non-executive directors:					
Tsai Patty, Pei Chun	–	–	–	–	–
Li I-nan	135	–	–	–	135
Independent non-executive directors:					
Liu, Hsi-Liang (note vi)	271	–	–	–	271
Chen, Huan-Chung	271	–	–	–	271
Feng Lei Ming	271	–	–	–	271
Chief executive officer:					
Wang Jun (note viii)	–	1,527	183	149	1,859
	948	3,145	183	420	4,696

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	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
For the year ended December 31, 2022					
Executive directors:					
Yu Huan-Chang (note i)	–	235	–	41	276
Hu, Chia-Ho (note ii)	–	214	–	–	214
Liao, Yuang-Whang (note v)	–	536	6	–	542
Wu, Pan-Tsu (note iii)	–	–	–	–	–
Lee, Shao-Wu (note iv)	–	676	–	101	777
Non-executive directors:					
Tsai Patty, Pei Chun	–	–	–	–	–
Li I-nan	129	–	–	–	129
Independent non-executive directors:					
Liu, Hsi-Liang (note vi)	202	–	–	–	202
Chen, Huan-Chung	259	–	–	–	259
Feng Lei Ming	259	–	–	–	259
Hsieh, Wuei-Jung (note vii)	56	–	–	–	56
Chief executive officer:					
Wang Jun (note viii)	–	999	65	103	1,167
	905	2,660	71	245	3,881

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

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

note i: Yu Huan-Chang has been appointed as the chairman and an executive director of the Company with effect from September 2, 2022.

note ii: Hu, Chia-Ho has been appointed as an executive director of the Company with effect from July 1, 2022.

note iii: Wu, Pan-Tsu has retired from the chairman and executive director of the Company with effect from July 1, 2022.

note iv: Lee, Shao-Wu has been appointed as the chairman and resigned as chief executive officer of the Company with effect from July 1, 2022, and resigned from the chairman and executive director of the Company with effect from September 2, 2022.

note v: Liao, Yuang-Whang has resigned as an executive director of the Company with effect from September 4, 2023.

note vi: Liu, Hsi-Liang has been appointed as an independent non-executive director of the Company with effect from March 25, 2022.

note vii: Hsieh, Wuei-Jung has resigned as an independent non-executive director of the Company with effect from March 25, 2022.

note viii: Wang Jun has been appointed as the acting chief executive officer of the Company with effect from July 1, 2022 and was re-designated as the chief executive officer of the Company with effect from March 15, 2023.

Note ix: Chen, Li-Chieh has been appointed as an executive director of the Company with effect from September 4, 2023.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

Except for disclosed above, all remaining directors or former directors either did not receive any salary from the Group or is a member of a pension scheme outside Hong Kong, for which the Group was exempted from making contribution to the pension scheme in Hong Kong or other jurisdictions for these directors and former directors.

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

(b) Emoluments of senior management

Of the nine (2022: eleven) senior management of the Company for the year ended December 31, 2023, four (2022: five) of them were executive directors of the Company and their remuneration has been disclosed in Note 9(a). The emoluments of the remaining five (2022: six) individuals for the year are within the following bands.

	2023 Number of employees	2022 Number of employees
Less than Hong Kong dollars ("HK$") $1,000,000	–	2
HK$1,000,001 to HK$1,500,000	1	1
HK$2,000,001 to HK$2,500,000	2	–
HK$2,500,001 to HK$3,000,000	2	1
HK$3,500,001 to HK$4,000,000	–	1
HK$7,000,001 to HK$7,500,000	–	1
	5	6

(c) Five highest paid employees

Of the five (2022: five) employees with the highest emoluments in the Group for the year ended December 31, 2023, none of them are directors of the Company (2022: none of them). The emoluments of the five (2022: five) individuals for the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other allowances	4,624	8,589
Bonus	6,136	7,080
Retirement benefit scheme contributions	545	470
Equity-settled share-based payments	480	900
	11,785	17,039

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:

	2023 Number of employees	2022 Number of employees
HK$2,000,000 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	4	2
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	–	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 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 11, 2021, pursuant to which, the Company may, through its subsidiaries, jointly controlled entities and associates 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, 2022 to December 31, 2024, subject to the various annual caps.

Mr. Yu Huan-Chang was interested in 120,000 (2022: 30,000) shares in Yue Yuen, and 90,000 (2022: 30,000) of them were awarded shares which remained unvested and subject to certain vesting conditions as at December 31, 2023.

Mr. Hu, Chia-Ho was interested in 380,000 (2022: 273,000) shares in Yue Yuen, and 45,000 (2022: 60,000) of them were awarded shares which remained unvested and subject to certain vesting conditions as at December 31, 2023.

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

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

Mr. Wu, Pan-Tsu (retired from executive director of the Company on July 1, 2022) had 73,000 awarded shares in Yue Yuen being vested during the year ended December 31, 2022.

Mr. Lee, Shao-Wu (resigned from executive director of the Company on September 2, 2022) was interested in 88,000 awarded shares in Yue Yuen were vested and 60,000 awarded shares in Yue Yuen were lapsed during the year ended December 31, 2022.

Mr. Liao, Yuang-Whang (resigned from executive director of the Company on September 4, 2023) was interested in 120,000 (2022: 30,000) shares in Yue Yuen, and 90,000 (2022: 30,000) of them were awarded shares which remained unvested and subject to certain vesting conditions.

10. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividend recognised as distribution during the year:		
2023 interim dividend of HK$0.0185 per share (2022: 2021 final dividend of HK$0.016 per share)	87,883	70,805

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2023 of HK$0.0120 per share (2022: nil) has been proposed by the directors of the Company and will be paid to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, June 4, 2024.

The proposed final dividend is subject to approval by the shareholders of the Company at the forthcoming annual 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:

	2023 RMB'000	2022 RMB'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	490,425	89,164

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,177,341,013	5,174,290,612
Effect of dilutive potential ordinary shares: – unvested awarded shares	4,664,831	2,806,716
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,182,005,844	5,177,097,328

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).

12. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At January 1, 2022	88,900
Decrease in fair value recognised in profit or loss	(1,200)
At December 31, 2022	87,700
Transfer from right-of-use assets and property, plant and equipment (Note 14)	66,800
Decrease in fair value recognised in profit or loss	(24,800)
At December 31, 2023	129,700

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, 2023, 2022 and date of transfer from right-of use assets and property, plant and equipment, 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 4.30% to 7.30% (2022: 4.30% to 6.00%) per annum. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2022	58,523	74,097	359,538	40,110	2,087,918	491,143	22,907	3,134,236
Additions	–	–	–	534	253,889	34,731	1,488	290,642
Disposals	–	–	–	–	(320,210)	(16,151)	(608)	(336,969)
Disposals of subsidiaries	–	–	–	–	(3,823)	(1,601)	–	(5,424)
Exchange realignment	–	–	–	–	(618)	(286)	(31)	(935)
At December 31, 2022	58,523	74,097	359,538	40,644	2,017,156	507,836	23,756	3,081,550
Additions	–	–	–	82	277,680	32,012	840	310,614
Disposals	–	–	–	(545)	(632,323)	(108,962)	(2,778)	(744,608)
Transfer to investment properties (Note 12)	–	(26,916)	–	–	–	–	–	(26,916)
Exchange realignment	–	–	–	–	455	337	19	811
At December 31, 2023	58,523	47,181	359,538	40,181	1,662,968	431,223	21,837	2,621,451
DEPRECIATION AND IMPAIRMENT								
At January 1, 2022	20,988	12,732	198,894	35,354	1,395,419	332,955	15,820	2,012,162
Provided for the year	1,249	2,019	12,235	483	404,173	59,639	1,853	481,651
Impairment loss (Note 14)	–	–	–	–	4,403	–	–	4,403
Eliminated on disposals	–	–	–	–	(284,277)	(14,678)	(533)	(299,488)
Disposal of subsidiaries	–	–	–	–	(2,325)	(766)	–	(3,091)
Exchange realignment	–	–	–	–	(303)	(167)	(13)	(483)
At December 31, 2022	22,237	14,751	211,129	35,837	1,517,090	376,983	17,127	2,195,154
Provided for the year	1,249	2,019	11,862	521	299,039	47,323	1,623	363,636
Impairment loss (Note 14)	–	17,755	–	–	–	–	–	17,755
Eliminated on disposals	–	–	–	(140)	(603,178)	(104,755)	(2,268)	(710,341)
Transfer to investment properties (Note 12)	–	(26,916)	–	–	–	–	–	(26,916)
Exchange realignment	–	–	–	–	289	287	19	595
At December 31, 2023	23,486	7,609	222,991	36,218	1,213,240	319,838	16,501	1,839,883
CARRYING VALUE								
At December 31, 2023	35,037	39,572	136,547	3,963	449,728	111,385	5,336	781,568
At December 31, 2022	36,286	59,346	148,409	4,807	500,066	130,853	6,629	886,396

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, 2023 was RMB53,054,000 (2022: RMB62,728,000).

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, 2023					
Carrying amount	19,703	1,588,778	71,284	63,308	1,743,073
As at December 31, 2022					
Carrying amount	99,736	2,008,344	74,163	99,301	2,281,544
For the year ended December 31, 2023					
Depreciation charge	3,207	818,182	23,933	37,153	882,475
For the year ended December 31, 2022					
Depreciation charge	3,207	1,012,539	23,981	42,866	1,082,593

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	25,266	49,042
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	482	119
Variable lease payments not included in the measurement of lease liabilities	1,117,518	940,988
Total cash outflow for leases	2,085,221	2,195,149
Additions to right-of-use assets, net of early termination and modification	420,824	493,449

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 (2022: 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, 2023, the size of portfolio of short-term leases decreased compared to those entered in 2022. The short-term lease expense were approximately RMB25,266,000 during the year ended December 31, 2023 (2022: RMB49,042,000).

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 nil (2022: RMB126,131,000) 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, 2023, the Group entered into new leases for several retail stores, warehouses and office buildings that have not yet commenced, with average non-cancellable period ranging from 1 to 3 years (2022: 1 to 3 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB5,720,000 (2022: RMB21,391,000).

14. RIGHT-OF-USE ASSETS (Continued)

Impairment assessment of property, plant and equipment and the right-of-use assets

Giving the adverse performance of certain of the Group's retail stores, the management concluded there was indication for impairment and performed impairment assessment for certain retail stores in the PRC. The Group estimates the recoverable amount of the cash-generating unit to which the assets belong to when it is not possible to estimate the recoverable amount individually including allocation of corporate assets when reasonable and consistent basis can be established. Each cash-generating unit represents the Group's retail store in PRC. The recoverable amount of cash generating unit has been determined based on a value in use calculations using cash flow projections based on forecasts approved by the management of the Group covering the remaining lease terms as at December 31, 2023. The forecasted revenue and gross profit margin have been determined with reference to the expected market development and the past performance of the retail stores. The management conducted impairment assessment on recoverable amounts of the property, plant and equipment and the right-of-use assets which were impaired to their recoverable amounts as disclosed in this note and Note 13.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of certain cash-generating units are lower than the corresponding carrying amounts. The impairment amount has been allocated to each category of the property, plant and equipment and the right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its value in use, fair value less costs of disposal and zero. Based on the value in use calculations and the allocation, impairment losses of RMB4,403,000 and RMB15,597,000 had been recognised against the carrying amounts of the property, plant and equipment and the right-of-use assets, respectively during the year ended December 31, 2022. No impairment losses on right-of-use assets and property, plant and equipment and intangible assets were recognised for the year ended December 31, 2023 after the impairment assessment.

During the year ended December 31, 2023, certain retail properties held by the Group ceased to be owner-occupied and are being leased to external third parties for rental income. As such, the Group determined the fair value of these properties at the date of transfer and recognised impairment losses on property, plant and equipment and right of use assets of RMB17,755,000 and RMB10,026,000, respectively. Details of the fair value measurement is disclosed in Note 12.

15. INTANGIBLE ASSETS

	Brand names RMB'000	Licensing agreements RMB'000	Non-compete agreements RMB'000	Computer software RMB'000 (note)	Total RMB'000
COST					
At January 1, 2022 and December 31, 2022	467,340	37,325	158,534	–	663,199
Additions	–	–	–	33,072	33,072
At December 31, 2023	467,340	37,325	158,534	33,072	696,271
AMORTISATION AND IMPAIRMENT					
At January 1, 2022	467,340	37,325	88,281	–	592,946
Provided for the year	–	–	8,438	–	8,438
At December 31, 2022	467,340	37,325	96,719	–	601,384
Provided for the year	–	–	9,067	–	9,067
At December 31, 2023	467,340	37,325	105,786	–	610,451
CARRYING VALUE					
At December 31, 2023	–	–	52,748	33,072	85,820
At December 31, 2022	–	–	61,815	–	61,815

note: As at December 31, 2023, the computer software are not yet ready for use and hence, not subject to amortisation. As at December 31, 2023, capital expenditure in respect of acquisition of computer software amounted to RMB10,503,000 (2022: nil) has been contracted for but not provided in the consolidated financial statements.

The management of the Group considers brand names, licensing agreements, non-compete agreements and computer software 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
Computer software	10 years

16. GOODWILL

	RMB'000
COST	
At January 1, 2022	533,156
Exchange realignment	(157)
At December 31, 2022	532,999
Exchange realignment	167
At December 31, 2023	533,166
IMPAIRMENT	
At January 1, 2022	10,993
Exchange realignment	(157)
At December 31, 2022	10,836
Exchange realignment	167
At December 31, 2023	11,003
CARRYING VALUE	
At December 31, 2023	522,163
At December 31, 2022	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 its value in use calculation, and assessed by the management as at December 31, 2023 and 2022.

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 20% to 22% (2022: 20% to 22%), 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 2% (2022: 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

	2023 RMB'000	2022 RMB'000
Cost of unlisted investments in joint ventures	27,100	27,100
Share of post-acquisition losses, net of dividends received	(27,100)	(27,100)
	–	–

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:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	(110,222)	(161,321)
Deferred tax liabilities	22,931	24,569
	(87,291)	(136,752)

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during current and prior years:

	Undistributed earnings of PRC entities RMB'000	Fair value adjustments of intangible assets on business combination RMB'000	Right-of-use assets RMB'000 (restated)	Lease liabilities RMB'000 (restated)	Tax losses RMB'000	Total RMB'000
At January 1, 2022 (note)	9,746	16,461	671,858	(703,800)	(24,203)	(29,938)
(Credit) charge to profit or loss (Note 7)	–	(1,638)	(151,208)	150,455	(104,487)	(106,878)
Disposal of subsidiaries	–	–	–	64	–	64
At December 31, 2022	9,746	14,823	520,650	(553,281)	(128,690)	(136,752)
(Credit) charge to profit or loss (Note 7)	–	(1,638)	(108,373)	117,714	41,758	49,461
At December 31, 2023	9,746	13,185	412,277	(435,567)	(86,932)	(87,291)

note: Prior to the adoption of the amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction", the Group recognised deferred tax assets on net basis for deductible temporary difference related to right-of-use assets/lease liabilities of RMB31,942,000 and RMB32,631,000, respectively, as at January 1, 2022 and December 31, 2022. The effect of restatements is detailed in Note 2 to the consolidated financial statements.

18. DEFERRED TAX ASSETS/LIABILITIES (Continued)

As at December 31, 2023, the Group had unused tax losses of approximately RMB2,021,214,000 (2022: approximately RMB1,901,345,000) available for offset against future profits with majority that will gradually expire in five years' time. A deferred tax asset has been recognised in respect of RMB347,725,000 (2022: RMB514,758,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB1,673,489,000 (2022: approximately RMB1,386,587,000) 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 RMB8,392 million (2022: approximately RMB7,817 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

	2023 RMB'000	2022 RMB'000
Sportswear and footwear products	4,704,713	6,071,858

20. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	978,919	862,084
Deposits, prepayments and other receivables	1,122,658	1,287,629
	2,101,577	2,149,713
Deposits, prepayments and other receivables represent:		
Rental deposits and prepaid rentals	129,952	115,651
Deposits and prepayments paid to suppliers	636,410	776,814
Value-added tax recoverable	245,829	262,289
Other prepaid expenses	82,919	97,688
Other deposits and receivables	27,548	35,187
	1,122,658	1,287,629

Before accepting any new wholesale customer, the Group has assessed the potential customer's credit quality and defines credit 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.

20. TRADE AND OTHER RECEIVABLES (Continued)

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

	2023 RMB'000	2022 RMB'000
0 – 30 days	955,025	820,300
31 – 90 days	23,546	41,784
Over 90 days	348	–
	978,919	862,084

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB224,000 (2022: RMB163,000) 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, 2023 and 2022 are set out in Note 33(b).

21. CASH AND CASH EQUIVALENTS/BANK DEPOSITS OVER THREE MONTHS

Cash and cash equivalents include demand deposits, short-term time deposits and short term financial instruments for the purpose of meeting the Group's short-term cash commitments, which are interest-bearing at market interest rates. All deposits have an original maturity of three months or less except for the deposits amounting to RMB250,000,000 (2022: nil) with original maturity over 12 months and therefore classified as non-current assets.

As at December 31, 2023, the bank deposits carried variable interest rates ranging from 0.01% to 2.75% (2022: 0.01% to 3.00%) per annum.

The bank deposits with original maturing over three months carry interests at market rates from 1.80% to 3.45% (2022: nil) per annual with maturity:

	2023 RMB'000
Within one year	796,615
Within a period of more than one year but not exceeding two years	250,000
	1,046,615

The short-term financial instruments of RMB149,996,000 (2022: nil) comprise national debt reverse repurchase products, being highly liquid debt securities with fixed maturities (within three months from subscription date) and determinable returns, and subject to insignificant risk of changes in value.

The Group's cash and cash equivalents that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
United States dollars ("USD")	11,746	9,449
HK$	550	569
RMB	4,533	4,958
	16,829	14,976

22. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade and bills payables (note i)	1,252,834	819,396
Deposits from customers	306,340	298,859
Amounts due to related parties (note ii)	3,794	4,625
Accrued staff costs	283,244	337,093
Sales discount and rebate to customers	137,238	125,070
Renovation costs payables	80,213	92,552
Short-term leases, leases of low-value assets and variable lease payables	50,191	78,751
Storage fee payables	14,636	11,218
Sales received on behalf of concessionary sales customers	158,743	133,813
Other tax payables	14,316	60,453
Interest payables	172	1,625
Accrued operating expenses	183,317	227,449
	2,485,038	2,190,904

notes:

(i) As at December 31, 2022, the amount included bills payables of RMB300,000,000 (2023: nil) relating to purchase of inventories from suppliers.

(ii) The amounts represent amount due to a non-controlling interest of a subsidiary of RMB2,800,000 (2022: RMB2,800,000) which is unsecured, expected to be repaid within one year and carries fixed interest rate of 3.65% (2022: 4.35%) per annum and amount due to Yue Yuen and its subsidiaries of RMB994,000 (2022: RMB1,801,000) and PCC and its subsidiaries of nil (2022: RMB24,000), which are unsecured, interest-free and repayable on demand.

22. TRADE AND OTHER PAYABLES (Continued)

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

	2023 RMB'000	2022 RMB'000
0 – 30 days	1,252,501	518,651
31 – 90 days	257	745
Over 90 days	76	300,000
	1,252,834	819,396

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 (2022: increase) in contract liabilities in the current year was mainly due to the increased (2022: decreased) utilisation of customer deposit before the period end.

As at January 1, 2022, contract liabilities amounted to RMB445,644,000.

24. BANK BORROWINGS

The bank borrowings amounting to RMB39,202,000 (2022: RMB456,162,000) are unsecured, interest-bearing, and repayable within one year.

	2023 RMB'000	2022 RMB'000
Fixed rate borrowings	39,202	418,577
Variable rate borrowings	–	37,585
	39,202	456,162

The Group's variable rate borrowings carried interests at margins over HIBOR or Loan Prime Rate ("LPR"), as appropriate. Interest was repriced every one to twelve months.

24. BANK BORROWINGS (Continued)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed rate borrowings	1.78% – 4.10%	1.11% – 4.40%
Variable rate borrowings	N/A	1.42% – 2.44%

25. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	625,826	774,164
Within a period of more than one year but not exceeding two years	417,990	507,835
Within a period of more than two years but not exceeding five years	579,592	683,274
Within a period of more than five years	154,859	248,518
	1,778,267	2,213,791
Less: Amount due for settlement within one year shown under current liabilities	(625,826)	(774,164)
Amount due for settlement after one year shown under non-current liabilities	1,152,441	1,439,627

The incremental borrowing rates applied to lease liabilities in the PRC, Hong Kong and Taiwan range from 2.30% to 4.20% (2022: from 2.10% to 4.60%).

26. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2022, December 31, 2022 and 2023	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2022, December 31, 2022 and 2023	5,326,179,615	53,261

	RMB'000
Shown in the consolidated financial statements as at December 31, 2023 and 2022	46,438

27. 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. Given the existing term of the Share Award Scheme will be due to expire by the end of May 8, 2024, the Board held a meeting on November 13, 2023, upon recommendation by the Remuneration Committee, resolved to extend the Share Award Scheme for a further term of 10 years commencing on May 9, 2024 by amending and restating the rules and trust deed relating to the Share Award Scheme, which will also come into effect on May 9, 2024. Pursuant to the amendment and restatement, other than the term of the Share Award Scheme was being extended, certain other provisions of the rules and trust deed were also amended and restated to keep the Share Award Scheme abreast of the times and the latest requirements of the Listing Rules. In addition, to improve the effectiveness of the Share Award Scheme for motivating employees of the Group to strive for excellence in their work, the Board at the same time, upon recommendation by the Remuneration Committee, resolved to amend the general vesting condition that was in relation to the individual performance of the employees (i.e. attaining "good" or better performance rating for the appraisal conducted immediately preceding the vesting date of the relevant tranche of awarded Shares), which will come into effect on May 9, 2024.

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.

27. SHARE AWARD SCHEME (Continued)

The Company has not purchased any share for share award scheme during the years ended December 31, 2023 and 2022. A total of 147,176,160 ordinary shares of the Company were held by the trustee of the Share Award Scheme as at December 31, 2023 (2022: 149,708,760 ordinary shares).

The following table discloses movements in the Company's share awards under the Share Award Scheme during the years ended December 31, 2023 and 2022:

	Date of grant	Vesting period	Number of share awards outstanding at January 1, 2022	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Reclassified during the year (note iv)	Number of share awards outstanding at December 31, 2022	Vested during the year	Lapsed/ cancelled during the year	Number of share awards outstanding at December 31, 2023
Director/Chief Executive Officer											
Yu Huan-Chang (note i)	11.11.2022	11.11.2022-10.11.2023	–	360,000	–	–	–	360,000	(360,000)	–	–
	11.11.2022	11.11.2022-10.11.2024	–	360,000	–	–	–	360,000	–	–	360,000
	11.11.2022	11.11.2022-10.11.2025	–	480,000	–	–	–	480,000	–	–	480,000
Wang Jun (note ii)	24.03.2021	24.03.2021-23.09.2022	–	–	(96,000)	–	96,000	–	–	–	–
	24.03.2021	24.03.2021-23.09.2023	–	–	–	–	144,000	144,000	(144,000)	–	–
	24.03.2021	24.03.2021-23.03.2024	–	–	–	–	240,000	240,000	–	–	240,000
Lee, Shao-Wu (note iii)	23.03.2019	23.03.2019-22.03.2022	500,000	–	(500,000)	–	–	–	–	–	–
	31.03.2020	31.03.2020-30.03.2022	500,000	–	(500,000)	–	–	–	–	–	–
	31.03.2020	31.03.2020-30.03.2023	500,000	–	–	(500,000)	–	–	–	–	–
	24.03.2021	24.03.2021-23.09.2022	100,000	–	–	(100,000)	–	–	–	–	–
	24.03.2021	24.03.2021-23.09.2023	150,000	–	–	(150,000)	–	–	–	–	–
	24.03.2021	24.03.2021-23.03.2024	250,000	–	–	(250,000)	–	–	–	–	–
Employees	23.03.2019	23.03.2019-22.03.2022	4,520,500	–	(4,464,000)	(56,500)	–	–	–	–	–
	24.03.2021	24.03.2021-23.09.2022	1,441,400	–	(1,216,800)	(128,600)	(96,000)	–	–	–	–
	24.03.2021	24.03.2021-23.09.2023	2,162,100	–	–	(258,600)	(144,000)	1,759,500	(1,651,200)	(108,300)	–
	24.03.2021	24.03.2021-23.03.2024	3,603,500	–	–	(431,000)	(240,000)	2,932,500	–	(180,500)	2,752,000
	13.08.2021	13.08.2021-12.02.2023	448,000	–	–	(70,600)	–	377,400	(377,400)	–	–
	13.08.2021	13.08.2021-12.02.2024	672,000	–	–	(105,900)	–	566,100	–	(42,900)	523,200
	13.08.2021	13.08.2021-12.08.2024	1,120,000	–	–	(176,500)	–	943,500	–	(71,500)	872,000
Total			15,967,500	1,200,000	(6,776,800)	(2,227,700)	–	8,163,000	(2,532,600)	(403,200)	5,227,200

note i: Yu Huan-Chang has been appointed as the chairman and an executive director of the Company with effect from September 2, 2022.

note ii: Wang Jun was appointed as the acting chief executive officer of the Company with effect from July 1, 2022 and was re-designated as the chief executive officer of the Company with effect from March 15, 2023.

note iii: Lee, Shao-Wu appointed as chairman and resigned from the chief executive officer of the Company on July 1, 2022 and resigned from chairman and executive director of the Company on September 2, 2022.

note iv: Since Wang Jun was appointed as the acting chief executive officer of the Company with effect from July 1, 2022, 480,000 awarded shares that owned by him were reclassified from the category of 'Employees' to the category of 'Director/Chief Executive Officer' as at July 1, 2022.

27. SHARE AWARD SCHEME (Continued)

The closing prices of the Company's shares immediately before the grant of the share awards on November 11, 2022 was HK$0.45 per share.

During the year ended December 31, 2023, the Group recognised a net expense of RMB2,442,000 (2022: RMB3,375,000) 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. 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 borrowings RMB'000	Dividend payable to a non-controlling interest of a subsidiary RMB'000	Dividend payable RMB'000	Interest payables RMB'000 (Note 22)
At January 1, 2022	2,820,882	1,581,640	–	–	7,661
Financing cash flows	(1,194,934)	(1,124,146)	(33,600)	(70,805)	(64,590)
New leases/lease modification/ lease termination	483,383	–	–	–	–
Foreign exchange translation	121	(1,332)	–	–	–
Interest expenses	108,205	–	–	–	58,554
Disposal of subsidiaries	(3,866)	–	–	–	–
Dividend declared	–	–	33,600	70,805	–
At December 31, 2022	2,213,791	456,162	–	–	1,625
Financing cash flows	(936,987)	(417,691)	–	(87,883)	(8,178)
New leases/lease modification/ lease termination	415,856	–	–	–	–
Foreign exchange translation	(3)	731	–	–	–
Interest expenses	85,610	–	–	–	6,725
Dividend declared	–	–	–	87,883	–
At December 31, 2023	1,778,267	39,202	–	–	172

29. 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 RMB322,352,000 (2022: RMB381,716,000) 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, 2023 and 2022, 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.

30. 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:

	2023 RMB'000	2022 RMB'000
Within one year	8,485	4,000
In the second year	7,475	4,000
In the third year	6,439	4,000
In the fourth year	5,947	4,000
In the fifth year	4,988	4,000
Over five years	13,020	14,077
	46,354	34,077

31. 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	2023 RMB'000	2022 RMB'000
PCC and its subsidiaries other than members of the Group	Other service income received by the Group	111	–
Yue Yuen and its subsidiaries	Purchase of footwear products by the Group	–	3,258
	Operating lease payment	1,258	1,273
	Management fees charged to the Group	5,571	5,281
Companies owned by a trust set up for the benefits of the family members of a director of the Company and the director is one of the ultimate beneficiaries of the trust:			
Hung Tak Investment Limited	Operating lease payment paid by the Group	3,386	3,386
Non-controlling interest of a subsidiary	Sales of sportswear products by the Group	30,688	40,332
	Commission from concessionaire sales by the Group	1,138	1,344
	Interest income charged by the Group	–	1,706
	Interest expense charged to the Group	120	123

31. RELATED PARTY DISCLOSURES (Continued)

(b) Compensation of key management personnel

	2023 RMB'000	2022 RMB'000
Short term benefits	17,428	19,356
Equity-settled share-based payments	1,001	1,071
	18,429	20,427

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

32. 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 bank 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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Amortised cost	3,934,027	2,164,016
Equity instrument at FVTOCI	1,921	1,813
Financial liabilities		
Amortised cost	1,870,074	1,808,821
Lease liabilities	1,778,267	2,213,791

(b) Financial risk management objectives and policies

The Group's major financial instruments include an equity instrument at FVTOCI, trade and other receivables, amount due from a related party, bank balances, short-term financial instruments, bank deposits over three months, trade and other payables, amounts due to related parties, amount due to a non-controlling interest of a subsidiary, 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.

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

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, 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

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, amount due from a related party, bank balances, short-term financial instruments, bank deposits over three months and other receivables. 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% (2022: over 99%) of its total receivables as at December 31, 2023. 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.

33. 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

33. 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 2023 RMB'000	Gross carrying amount 2022 RMB'000
Financial assets at amortised cost					
Trade receivables	20	(note 2)	Lifetime ECL (Provision matrix)	978,919	862,084
		Loss	Credit-impaired	36,920	28,075
				1,015,839	890,159
Amount due from a related party	6 (a)	Loss	Credit-impaired	–	313
Bank balances	21	(note 1)	12m ECL	1,677,474	1,189,908
Short-term financial instruments	21	(note 1)	12m ECL	149,996	–
Bank deposits over three months	21	(note 1)	12m ECL	1,046,615	–
Other receivables	20, 6(a)	Low risk/ watch list	12m ECL	80,930	111,784
		Loss	Credit-impaired	3,400	2,661
				84,330	114,445

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

notes:

1. The credit risk on bank balances, short-term financial instruments and bank deposits is limited because the counterparties are banks and a financial institution 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 debtors 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, 2023 and 2022 within lifetime ECL (not credit-impaired).

Trade receivables	2023 RMB'000	2022 RMB'000
Current (not past due)	964,022	820,600
1 – 120 days past due	14,897	41,484
	978,919	862,084

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 RMB36,920,000 (2022: RMB28,075,000) were assessed individually.

33. 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 (credit-impaired) that has been recognised for trade receivables under the simplified approach.

	Trade receivables RMB'000
As at January 1, 2022	27,223
– Impairment losses recognised	5,751
– Write-offs	(4,899)
As at December 31, 2022	28,075
– Impairment losses recognised	8,894
– Write-offs	(49)
As at December 31, 2023	36,920

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

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.

33. 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, 2023								
Non-interest bearing	–	1,827,739	257	76	–	–	1,828,072	1,828,072
Fixed interest rate instruments	2.26	27,672	11,571	2,877	–	–	42,120	42,002
Lease liabilities	3.90	51,982	207,917	427,667	1,086,474	164,630	1,938,670	1,778,267
		1,907,393	219,745	430,620	1,086,474	164,630	3,808,862	3,648,341

	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, 2022								
Non-interest bearing	–	1,249,114	100,745	–	–	–	1,349,859	1,349,859
Fixed interest rate instruments	3.34	226,981	192,630	2,891	–	–	422,502	421,377
Variable interest rate instruments	1.85	37,585	–	–	–	–	37,585	37,585
Lease liabilities	4.15	77,816	243,420	534,376	1,313,080	267,411	2,436,103	2,213,791
		1,591,496	536,795	537,267	1,313,080	267,411	4,246,049	4,022,612

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.

33. 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.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	192	190
Investments in subsidiaries	4,396,031	4,393,877
	4,396,223	4,394,067
CURRENT ASSETS		
Other receivables	9,842	3,163
Amounts due from subsidiaries	2,732,503	1,751,562
Cash and cash equivalents	526,901	65,230
	3,269,246	1,819,955
CURRENT LIABILITIES		
Other payables	6,957	6,431
Amounts due to subsidiaries	3,082,071	1,179,624
Bank borrowings	–	340,000
	3,089,028	1,526,055
NET CURRENT ASSETS	180,218	293,900
NET ASSETS	4,576,441	4,687,967
CAPITAL AND RESERVES		
Share capital (Note 26)	46,438	46,438
Reserves (note)	4,530,003	4,641,529
	4,576,441	4,687,967

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

note:

Movements in the Company's reserves:

	Reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
At January 1, 2022	4,174,903	213,204	4,388,107
Profit and total comprehensive income for the year	–	320,852	320,852
Recognition of equity-settled share-based payment, net of amounts lapsed relating to share awards not yet vested	3,375	–	3,375
Transfer	(17,946)	17,946	–
Dividend recognised as distribution	–	(70,805)	(70,805)
At December 31, 2022	4,160,332	481,197	4,641,529
Loss and total comprehensive expense for the year	–	(26,085)	(26,085)
Recognition of equity-settled share-based payment, net of amounts lapsed relating to share awards not yet vested	2,442	–	2,442
Dividend recognised as distribution	–	(87,883)	(87,883)
At December 31, 2023	4,162,774	367,229	4,530,003

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2023 and 2022:

Name of subsidiary	Country/place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i)		Principal activities
			2023	2022	
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. 昆山寶悍體育文化發展有限公司 (note ii)	PRC	US$10,000,000	100%	100%	Sports marketing and organisation of sports events
Kunshan Baokun Zhilian Information Technology Co., Ltd.# 昆山寶錕智鏈信息科技有限公司 (note iv)	PRC	RMB500,000	100%	100%	Provision of technical advisory services
Kunshan Baowei Information Technology Co., Ltd 昆山寶唯信息科技有限公司 (note iv)	PRC	RMB600,000,000	100%	100%	Retailing of sportswear
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%	Sales of sportswear

35. 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) 2023	2022	Principal activities
Kushan Taisong Trading Co., Ltd 昆山泰崧精品貿易有限公司 (note iii)	PRC	US$26,500,000	100%	100%	Retailing of sportswear
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 Group Co., Ltd. 常勝投資集團有限公司 (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 Pouyuen Sports Trading Co. Ltd# 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
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
Shanghai Shengjie Sports Goods Co., Ltd# 上海勝杰體育用品有限公司 (note ii)	PRC	RMB15,000,000	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

35. 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)		Principal activities
			2023	2022	
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 iv)	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
Yue Cheng (Kunshan) Sports Co., Ltd 裕晟(昆山)體育用品有限公司 (note ii)	PRC	US$142,200,000	100%	100%	Retailing of sportswear
YY Sports Holdings Limited ("YY Sports") (note i)	BVI	US$1	100%	100%	Investment holding

The English names are for information purpose only.

35. 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.

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.

36. MAJOR NON-CASH TRANSACTIONS

Other than as disclosed elsewhere, the Group had the following non-cash transactions:

During the year ended December 31, 2022, consideration payable for acquisition of a subsidiary of RMB176,128,000 had been 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,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	27,189,765	25,611,125	23,350,235	18,638,021	20,064,497
Profit for the year	879,910	314,660	375,755	100,238	503,208
Attributable to:					
Owners of the Company	833,275	302,840	356,587	89,164	490,425
Non-controlling interests	46,635	11,820	19,168	11,074	12,783
	879,910	314,660	375,755	100,238	503,208

ASSETS AND LIABILITIES

	As at December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Total assets	17,390,782	17,022,269	16,658,980	13,598,861	13,257,673
Total liabilities	(9,684,704)	(9,146,239)	(8,456,784)	(5,404,941)	(4,647,092)
	7,706,078	7,876,030	8,202,196	8,193,920	8,610,581
Equity attributable to:					
Owners of the Company	7,612,574	7,770,201	8,095,464	8,114,253	8,518,131
Non-controlling interests	93,504	105,829	106,732	79,667	92,450
	7,706,078	7,876,030	8,202,196	8,193,920	8,610,581

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