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POP MART

POP MART INTERNATIONAL GROUP LIMITED

泡泡瑪特國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9992)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

INTERIM RESULTS HIGHLIGHTS

| | Six months ended 30 June | | Change (%) |
|---|---------------------------------|--------------------|-----------------------|
| | (Unaudited) | (Unaudited) | |
| | 2023 | 2022 | |
| | RMB'000 | RMB'000 | |
| Revenue | 2,813,812 | 2,358,818 | 19.3% |
| Gross profit | 1,698,360 | 1,370,407 | 23.9% |
| Operating profit | 537,762 | 446,057 | 20.6% |
| Profit before income tax | 618,547 | 457,936 | 35.1% |
| Profit for the period | 477,242 | 332,945 | 43.3% |
| Profit attributable to owners of the Company | 476,575 | 332,820 | 43.2% |
| Non-IFRS adjusted net profit | 535,365 | 376,285 | 42.3% |
| Basic earnings per share (RMB cents) | 35.46 | 24.18 | 46.7% |
| Diluted earnings per share (RMB cents) | 35.42 | 24.17 | 46.5% |

The board of directors (the “**Board**”) of Pop Mart International Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and consolidated affiliated entities (the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”). The contents of this interim results announcement have been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|-------------|---------------------------------|--------------------|
| | <i>Note</i> | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 2,813,812 | 2,358,818 |
| Cost of sales | 5 | (1,115,452) | (988,411) |
| Gross profit | | 1,698,360 | 1,370,407 |
| Distribution and selling expenses | 5 | (878,319) | (693,230) |
| General and administrative expenses | 5 | (331,252) | (322,679) |
| Provision for/(reversal of) impairment losses on financial assets | | (95) | 80 |
| Other income | 6 | 37,433 | 24,335 |
| Other gains-net | 7 | 11,635 | 67,144 |
| Operating profit | | 537,762 | 446,057 |
| Finance income | 8 | 79,613 | 22,992 |
| Finance expenses | 8 | (16,174) | (15,981) |
| Finance income – net | 8 | 63,439 | 7,011 |
| Share of profit of investments accounted for using the equity method | | 17,346 | 4,868 |
| Profit before income tax | | 618,547 | 457,936 |
| Income tax expense | 9 | (141,305) | (124,991) |
| Profit for the period | | 477,242 | 332,945 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 476,575 | 332,820 |
| Non-controlling interests | | 667 | 125 |

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|-----------------------|
| | <i>Note</i> | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss | | | |
| – Currency translation differences | | <u>14,907</u> | <u>5,727</u> |
| Items that will not be reclassified to profit or loss | | | |
| – Currency translation differences | | <u>154,574</u> | <u>237,129</u> |
| Other comprehensive income for the period, net of tax | | <u>169,481</u> | <u>242,856</u> |
| Total comprehensive income for the period | | <u>646,723</u> | <u>575,801</u> |
| Total comprehensive income for the period attributable to: | | | |
| – Owners of the Company | | 646,192 | 575,590 |
| – Non-controlling interests | | 531 | 211 |
| Earnings per share for profit attributable to owners of the Company | | | |
| Basic (expressed in RMB cents per share) | 11 | 35.46 | 24.18 |
| Diluted (expressed in RMB cents per share) | 11 | <u>35.42</u> | <u>24.17</u> |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | <i>Note</i> | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|-------------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 499,814 | 448,884 |
| Intangible assets | | 122,354 | 146,507 |
| Right-of-use assets | | 630,452 | 701,627 |
| Investments accounted for using the equity method | | 102,225 | 83,333 |
| Financial assets at fair value through profit or loss | | 462,037 | 459,034 |
| Prepayments and other non-current assets | | 79,430 | 44,165 |
| Deferred income tax assets | | 89,971 | 80,977 |
| | | 1,986,283 | 1,964,527 |
| Total non-current assets | | | |
| Current assets | | | |
| Trade receivables | 12 | 208,911 | 194,369 |
| Other receivables | | 174,190 | 187,831 |
| Inventories | | 758,774 | 866,985 |
| Prepayments and other current assets | | 364,863 | 298,722 |
| Financial assets at fair value through profit or loss | | 10,701 | 12,829 |
| Restricted cash | | 22,011 | 13,265 |
| Term deposits with initial term over three months and within one year | | 4,066,222 | 4,356,220 |
| Cash and cash equivalents | | 1,473,382 | 685,314 |
| | | 7,079,054 | 6,615,535 |
| Total current assets | | | |
| | | 9,065,337 | 8,580,062 |
| Total assets | | | |

| | <i>Note</i> | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|-------------|--|--|
| Equity | | | |
| Share capital | <i>13</i> | 891 | 908 |
| Shares held for share award scheme | | (13) | (14) |
| Other reserves | | 4,556,606 | 4,693,043 |
| Retained earnings | | 2,745,926 | 2,269,351 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 7,303,410 | 6,963,288 |
| Non-controlling interests in equity | | 2,568 | 2,037 |
| | | <hr/> | <hr/> |
| Total equity | | 7,305,978 | 6,965,325 |
| | | <hr/> | <hr/> |
| Liabilities | | | |
| Non-current liabilities | | | |
| License fees payables | <i>15</i> | 12,223 | 21,306 |
| Lease liabilities | | 385,774 | 447,564 |
| Deferred income tax liabilities | | 15,667 | 15,120 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 413,664 | 483,990 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Trade payables | <i>14</i> | 349,477 | 259,006 |
| License fees payables | <i>15</i> | 160,710 | 133,517 |
| Other payables | | 351,438 | 308,791 |
| Contract liabilities | | 92,531 | 88,797 |
| Lease liabilities | | 292,116 | 293,567 |
| Current income tax liabilities | | 99,423 | 47,069 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,345,695 | 1,130,747 |
| | | <hr/> | <hr/> |
| Total liabilities | | 1,759,359 | 1,614,737 |
| | | <hr/> | <hr/> |
| Total equity and liabilities | | 9,065,337 | 8,580,062 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Pop Mart International Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 9 May 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the product design and development and sale of pop toys in the People’s Republic of China and certain overseas countries and regions. The ultimate holding company of the Company is GWF Holding Limited (formerly known as Grant Wang Holding Limited), which is controlled by Mr. Wang Ning and his spouse, Ms. Yang Tao.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 11 December 2020.

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 22 August 2023.

This interim condensed consolidated financial information for the six months ended 30 June 2023 has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied to the preparation of this interim condensed consolidated financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2022, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings. A number of amended standards and annual improvement became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Impact of standards issued but not yet applied by the Group

Certain new or amended accounting standards have been published but are not mandatory for reporting period commencing 1 January 2023 and have not been early adopted by the Group. These new or amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged the product design and development and sale of pop toys in the People's Republic of China (the "PRC") and certain overseas countries and regions. The chief operating decision markers ("CODM") reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

A geographical segment is engaged in providing products or services within a particular economic environment, which are subject to risks and returns that are different from those of segments operating in other economic environments. With the accelerated pace of internationalization, the international business has been growing at a high rate. During the six months ended 30 June 2023, the CODM assesses the business on geographical basis, there has been a change in the composition of the segments resulting from changes in the structure of the entity's internal organization. As of 30 June 2023, the Group had two reportable segments namely, the Mainland China and Hong Kong, Macao, Taiwan and overseas.

The CODM assesses the performance of the operating segments mainly based on revenues, gross profit and operating profit. The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenue minus segment cost of sales. Segment results represent the operating profit earned by each segment without allocation of some cost from headoffice and shared service center.

| | Six months ended 30 June | | | | | |
|--|--------------------------------|---|-------------------|--------------------------------|---|-------------------|
| | 2023 | | | 2022 | | |
| | RMB'000 | | | RMB'000 | | |
| | The Mainland China (Unaudited) | Hong Kong, Macao, Taiwan and overseas (Unaudited) | Total (Unaudited) | The Mainland China (Unaudited) | Hong Kong, Macao, Taiwan and overseas (Unaudited) | Total (Unaudited) |
| Total revenue before inter-segment elimination | 2,651,173 | 375,780 | 3,026,953 | 2,288,330 | 156,690 | 2,445,020 |
| Inter-segment revenue | (213,141) | – | (213,141) | (86,202) | – | (86,202) |
| Revenue from external customers | 2,438,032 | 375,780 | 2,813,812 | 2,202,128 | 156,690 | 2,358,818 |
| Cost of sales | (976,166) | (139,286) | (1,115,452) | (921,048) | (67,363) | (988,411) |
| Gross profit | 1,461,866 | 236,494 | 1,698,360 | 1,281,080 | 89,327 | 1,370,407 |
| Segment results | 502,398 | 78,890 | 581,288 | 453,818 | 27,879 | 481,697 |
| Unallocated expenses | | | (43,526) | | | (35,640) |
| Finance income-net | | | 63,439 | | | 7,011 |
| Share of profit of investments accounted for using the equity method | | | 17,346 | | | 4,868 |
| Income tax expense | | | (141,305) | | | (124,991) |
| Profit for the year | | | 477,242 | | | 332,945 |

Breakdown of revenue by business lines is as follows:

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from the Mainland China | | |
| Revenue from retail store sales | 1,179,493 | 891,701 |
| Revenue from online sales | 817,418 | 977,933 |
| Revenue from roboshop sales | 271,074 | 203,957 |
| Revenue from wholesales | 170,047 | 128,537 |
| | <hr/> | <hr/> |
| Subtotal | 2,438,032 | 2,202,128 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Revenue from Hong Kong, Macao, Taiwan and overseas regions | | |
| Revenue from retail store sales | 164,999 | 34,794 |
| Revenue from online sales | 56,791 | 34,829 |
| Revenue from roboshop sales | 25,360 | 3,863 |
| Revenue from wholesales | 128,630 | 83,204 |
| | <hr/> | <hr/> |
| Subtotal | 375,780 | 156,690 |
| | <hr/> | <hr/> |
| Total | 2,813,812 | 2,358,818 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Point-in-time | 2,813,812 | 2,358,818 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | Six months ended 30 June | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Revenue recognised on a gross basis | 2,813,563 | 2,356,911 |
| Revenue recognised on a net basis(i) | 249 | 1,907 |
| | <hr/> | <hr/> |
| Total | 2,813,812 | 2,358,818 |
| | <hr/> <hr/> | <hr/> <hr/> |

- (i) Certain revenue generated from consignment sales of art derivatives in an art promotion institution is recognised on a net basis when the Group acts as an agent in the transactions and does not take inventory risk or has latitude in establishing prices for the products.

During the six months ended 30 June 2023 and 2022, no revenue derived from transactions with a single customer represent 10% or more of the Group's total revenue.

As at 30 June 2023, the total non-current assets other than financial assets at fair value through profit or loss and deferred tax assets broken down by location is shown in the table below.

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|---------------------------------------|---|---|
| The Mainland China | 1,298,273 | 1,340,207 |
| Hong Kong, Macao, Taiwan and overseas | <u>136,002</u> | <u>84,309</u> |

5 EXPENSES BY NATURE

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Cost of goods | 923,921 | 867,981 |
| Employee benefit expenses | 496,416 | 402,213 |
| Depreciation of right-of-use assets | 178,441 | 150,698 |
| Advertising and marketing expenses | 141,978 | 114,095 |
| Depreciation on property, plant and equipment | 114,839 | 93,143 |
| Transportation and logistics expenses | 81,536 | 89,897 |
| Design and license fees | 77,459 | 32,943 |
| E-commerce platform service charges | 70,262 | 55,455 |
| Expenses relating to short-term leases and variable leases not included in lease liabilities | 66,240 | 48,747 |
| Amortisation of intangible assets | 47,153 | 35,510 |
| Taxes and surcharges | 21,765 | 13,076 |
| Auditor's remuneration | 1,500 | 1,500 |
| Impairment of inventory | 747 | 4,431 |
| Others | <u>102,766</u> | <u>94,631</u> |
| Total | <u><u>2,325,023</u></u> | <u><u>2,004,320</u></u> |

6 OTHER INCOME

| | Six months ended 30 June | |
|---|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Other income | | |
| Government grants (i) | 21,170 | 4,765 |
| Income from license fees and other services | 15,480 | 18,890 |
| Others | 783 | 680 |
| | <hr/> | <hr/> |
| Total | 37,433 | 24,335 |
| | <hr/> <hr/> | <hr/> <hr/> |

- (i) The amounts represent government grants related to income which are received from the local government for the contribution to the local economic growth. There are no unfulfilled conditions or contingencies relating to these grants.

7 OTHER GAINS – NET

| | Six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| Changes in fair value of financial instruments at fair value through profit or loss | 5,728 | 67,304 |
| Exchange gain or loss | 7,056 | 1,386 |
| Donation | (700) | (1,057) |
| Others | (449) | (489) |
| | <hr/> | <hr/> |
| Total | 11,635 | 67,144 |
| | <hr/> <hr/> | <hr/> <hr/> |

8 FINANCE INCOME – NET

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Finance income | | |
| – Interest income on cash and bank deposits | <u>79,613</u> | <u>22,992</u> |
| Finance expenses | | |
| – Interest expenses on lease liabilities | <u>(14,701)</u> | <u>(14,194)</u> |
| – Others | <u>(1,473)</u> | <u>(1,787)</u> |
| | <u>(16,174)</u> | <u>(15,981)</u> |
| Finance income -net | <u><u>63,439</u></u> | <u><u>7,011</u></u> |

9 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--------------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Current income tax | 150,299 | 120,071 |
| – Hong Kong profits tax | 105 | 235 |
| – The PRC corporate income tax | 150,194 | 119,836 |
| Deferred income tax (credit)/expense | <u>(8,994)</u> | <u>4,920</u> |
| Income tax expense | <u><u>141,305</u></u> | <u><u>124,991</u></u> |

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2023 is approximately 22.8% (six months ended 30 June 2022: 27.3%).

10 DIVIDENDS

Pursuant to a resolution passed on 7 May 2023, the shareholders of the Company approved a final dividend of RMB8.7 cents per ordinary share of the Company, amounting to RMB117,317,000 in aggregate (which are net of the dividend of RMB1,678,000 attributable to the shares held for the share award scheme) for the year ended 31 December 2022. As at 30 June 2023, all dividends have been paid.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023.

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for Share Award Scheme and shares repurchased during the six months ended 30 June 2023 and 2022.

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Profit attributable to owners of the Company (RMB'000) | 476,575 | 332,820 |
| Weighted average number of ordinary shares in issue less shares held for Share Award Scheme and shares repurchased (in thousands) | 1,344,182 | 1,376,505 |
| Basic earnings per share (expressed in RMB cents per share) | 35.46 | 24.18 |

(b) Dilute earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2023 is set out below:

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Profit attributable to owners of the Company (RMB'000) | 476,575 | 332,820 |
| Profit used to determine diluted earnings per share (RMB'000) | 476,575 | 332,820 |
| Weighted average number of ordinary shares in issue less shares held for Share Award Scheme and shares repurchased (in thousands) | 1,344,182 | 1,376,505 |
| Adjustment for –Restricted Shares granted and assumed vested (in thousands) | 1,325 | 417 |
| Weighted average number of shares for diluted earnings per shares (in thousands) | 1,345,507 | 1,376,922 |
| Diluted earnings per share (expressed in RMB cents per share) | 35.42 | 24.17 |

For the six months ended 30 June 2023 and 2022, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be granted and assumed vested under the Post-IPO Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's ordinary shares during the six months ended 30 June 2023) based on the monetary value of the subscription rights attached to the outstanding shares granted under the Post-IPO Share Award Scheme (defined as the "Restricted Shares"). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Restricted Shares.

12 TRADE RECEIVABLES

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|------------------------------------|---|---|
| Trade receivables (a) | | |
| – Third parties | 102,415 | 110,310 |
| – Related parties | <u>113,817</u> | <u>91,350</u> |
| Subtotal | 216,232 | 201,660 |
| Less: provision for impairment (b) | <u>(7,321)</u> | <u>(7,291)</u> |
| Total trade receivables | <u>208,911</u> | <u>194,369</u> |

- (a) For trade receivables from retail store sales and online sales, the amounts are usually settled in cash, by credit/debit cards or through online payment platforms. For wholesale transactions, trade receivables are settled within the credit terms as agreed in sales contracts. The majority of these wholesalers are with credit terms of 30 to 90 days. Certain customers with good history and long-term relationship are extended preferential credit terms of up to 180 days.

An aging analysis of the trade receivables based on invoice date is as follows:

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|----------------------|---|---|
| Within 3 months | 196,349 | 181,339 |
| 3 months to 6 months | 10,714 | 16,759 |
| Over 6 months | <u>9,169</u> | <u>3,562</u> |
| Total | <u>216,232</u> | <u>201,660</u> |

- (b) The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables.

Movements in impairment of trade receivables is as follows:

| | Six months ended 30 June | |
|---|--|---------------------------------------|
| | 2023 <i>RMB'000</i> (Unaudited) | 2022 <i>RMB'000</i> (Unaudited) |
| As at 1 January | 7,291 | 3,194 |
| Provision for/(Reversal of) impairment allowance of trade receivables | 30 | (240) |
| As at 30 June | 7,321 | 2,954 |

13 SHARE CAPITAL

Authorised:

| | Number of ordinary shares | Nominal value of ordinary shares USD'000 |
|--|--|---|
| Ordinary shares of US\$0.0001 each On 1 January 2022, 31 December 2022 and 30 June 2023 | 5,000,000,000 | 500 |

Issued and fully paid ordinary shares:

| | Number of ordinary shares | Unaudited | | Number of preferred shares | Nominal value of preferred shares USD'000 | Nominal value of preferred shares RMB'000 |
|-------------------------------------|--|---|---|---|--|--|
| | | Nominal value of ordinary shares USD'000 | Nominal value of ordinary shares RMB'000 | | | |
| At 1 January 2023 | 1,380,540,550 | 139 | 908 | - | - | - |
| Shares repurchased and cancelled(i) | (24,217,400) | (2) | (17) | - | - | - |
| At 30 June 2023 | 1,356,323,150 | 137 | 891 | - | - | - |
| At 1 January 2022 | 1,401,937,550 | 141 | 923 | - | - | - |
| Shares repurchased and cancelled(i) | (4,365,400) | - | (3) | - | - | - |
| At 30 June 2022 | 1,397,572,150 | 141 | 920 | - | - | - |

- (i) During the six months ended 30 June 2023, the Company repurchased a total of 15,217,000 its own ordinary shares on the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately RMB246,876,000. During the six months ended 30 June 2023, the Company cancelled a total of 24,217,000 shares amount of approximately RMB370,217,000. During the six months ended 30 June 2022, the Company repurchased a total of 4,365,400 its own ordinary shares on the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately RMB120,008,000. As at 30 June 2022, all of the repurchased ordinary shares have been cancelled.

14 TRADE PAYABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|----------------------|---|---|
| Merchandise payables | 349,477 | 259,006 |

The credit terms of merchandise payables granted by the suppliers are usually current to 180 days. As at 30 June 2023 and 31 December 2022, the aging analysis of the merchandise payables based on invoice date were as follow:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|----------------|---|--|
| Within 30 days | 117,857 | 100,317 |
| 30 to 90 days | 144,347 | 75,632 |
| 90 to 180 days | 11,794 | 46,039 |
| Over 180 days | 75,479 | 37,018 |
| | 349,477 | 259,006 |

15 LICENSE FEES PAYABLES

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|---------------------------|---|---|
| License fees payables | 172,933 | 154,823 |
| Less: non-current portion | <u>(12,223)</u> | <u>(21,306)</u> |
| Current portion | <u>160,710</u> | <u>133,517</u> |

Pursuant to the license agreements, fixed minimum payments are payable in tranches during the contracted term while variable payments that depend on sales are payable in the period in which the condition that triggers those payments occurs.

Analysis of license fees payables:

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--------------------|---|---|
| 1-2 year | 6,972 | 16,614 |
| 2-5 year | 3,929 | 3,342 |
| More than 5 years | <u>1,322</u> | <u>1,350</u> |
| Non-current | <u>12,223</u> | <u>21,306</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sales Summary

In the first half of 2023, as the society and economy fully resumed normal operation, various macro policies showed their effectiveness and the national economy continued to recover, and residents' consumption demand for leisure shopping and travel was further released, leading to a prosperous atmosphere in domestic consumer market and the consumption sector witnessed gradual recovery. Based on the unremitting efforts of various departments of the Company, with our outstanding operational capabilities and creativity, we have launched several new product series that gained popularity among consumers and achieved excellent sales performance while providing quality services to consumers. During the Reporting Period, we recorded revenue of RMB2,813.8 million, representing a year-on-year increase of 19.3%. We constantly accelerated our expansion into the international market, accounting for 13.4% of our revenue and representing a year-on-year increase of 139.8%.

Artists Development and IP Operation

IP operation as well as creative designs are essential to our products, which are the key drivers for the development of Pop Mart. We continuously launched IPs with diversified styles, continuously enhanced product innovation, and enriched types of products to meet the demands of different groups of customers.

The performance of our top IPs remained strong. In the first half of 2023, revenue generated from SKULLPANDA, MOLLY and DIMOO amounted to RMB526.4 million, RMB411.4 million and RMB362.0 million, respectively, representing a year-on-year increase of 14.0%, 1.8% and 21.3%, respectively. SKULLPANDA constantly looked for breakthroughs in styles. THE WARMTH, the eighth series of SKULLPANDA launched in November 2022, which encourages fans to embrace themselves through a design style of gentle colors and craftsmanship of imitating ceramics, giving people a sense of relaxation and intimacy, awakening good memories and being popular amongst fans. As of 30 June 2023, revenue from the series amounted to RMB254.7 million. We continued to seek excellent artists. HACIPUPU, a brand new IP launched in the second half of 2022 was widely recognized by fans, and its revenue amounted to RMB69.2 million in the first half of 2023. Revenue generated from Hirono and Sweet Bean, launched by our in-house design team PDC (Pop Design Center), amounted to RMB109.4 million and RMB75.4 million, respectively, among which Hirono triggered emotional empathy among fans through design language, representing a year-on-year increase of 191.3% in revenue in the first half of 2023. Moreover, PINO JELLY, Zsiga and other new IPs were also popular in the market. We continued to collaborate with external copyright owners to launch a series of pop garage kits and co-branded products with diversified styles, such as MOLLYx Warner Bros. 100th Anniversary Series, series of classic figure of League of Legends, and series of Disney Pixar Toy Story Sunnyside Adventures, which also helped us attract a wider range of consumer.

As a high-end production line created because of our promotion of “pop toy as art”, the MEGA COLLECTION is characterized by both fashion and a deep sense of artistic expression. 2023 is the third year since we launched MEGA COLLECTION, and the brand operation has gradually entered a mature stage. We classified MEGA COLLECTION into five major product series: Grand, Art, Lifestyle, Joy and Original, which focused on trend, art and IPs content, exploring aesthetic expression with trendy collection toys as a bridge. In the beginning of the year, the first ceramic material pop garage kits “MEGA SPACE MOLLY 1000% Lu Huo Chun Qing•Ran” (MEGA SPACE MOLLY 1000% 爐火純青•燃) launched by the Grand series has been widely concerned by consumers across circles. Meanwhile, we worked with artists or their brands such as Han Meilin, Jean-Michel Basquiat and Ninagawa Mika to create the art series, and continued to deeply explore the art field. In addition, we have also cooperated with well-known IPs such as Gundam, Patrick Star and Slam Dunk to launch Joy series products, empowering classic cultural symbols with new vitality. In the first half of 2023, MEGA COLLECTION achieved a total revenue of RMB242.3 million.

Consumer Access

– *Offline channels*

In the first half of 2023, we opened 19 new physical stores in Mainland China. The number of physical stores increased from 329 as of 31 December 2022 to 340¹ as of 30 June 2023. In the first half of 2023, we opened 118 roboshops in Mainland China. The number of roboshops increased from 2,067 as of 31 December 2022 to 2,185 as of 30 June 2023.

– *Online channels*

Pop Draw is a mini program independently invented and developed by us on WeChat platform, aiming to create fun, interesting and convenient shopping experience. In the first half of 2023, revenue from blind box machine amounted to RMB373.0 million. In the first half of 2023, the revenue of Tmall Flagship stores amounted to RMB155.3 million. Our content-related e-commerce team outputs high-quality live content on DouYin based on the characteristics of the IP and series by organizing a number of self-operated live streams. Such methods not only attracted a large number of fans, but also promoted more life scenes of merchandize and achieved excellent sales performance. In the same period, the revenue of DouYin amounted to RMB109.5 million, representing a year-on-year increase of 569.0%.

– *Member operation*

With continuous channel expansion and IPs portfolio enhancement, through omni-channel member operation, the scale of user digitalization grew rapidly. As of 30 June 2023, the total number of registered members in Mainland China increased from 26.004 million as at 31 December 2022 to 30.388 million. In particular, there were 4.384 million new registered members. During the first half of 2023, the sales contributed by our members represents 92.2% of total sales, with repeat purchase rate of our member of 44.5%².

¹ In the first half of 2023, due to lease expiration and other commercial reasons, we closed 8 stores.

² The proportion of members who made purchase for twice or more during the first half of 2023.

– *Hong Kong, Macao, Taiwan and overseas channels*

Our Hong Kong, Macao, Taiwan and oversea business continued to promote the DTC (Direct To Customer) development strategy. As of 30 June 2023, the number of our stores in Hong Kong, Macao, Taiwan and overseas cities amounted to 55 (including joint ventures) and the number of roboshops amounted to 143 (including joint ventures and franchise), respectively, with overseas e-commerce platforms reaching 28. We established our first physical store in the France and Malaysia in the first half of 2023. By continuously exploring offline and online sales channels, our brands and products have gained wider recognition and favor globally.

Pop Toy Culture Promotion and Innovative Business Incubation

We established a GONG Studio, where boundless hard-core derivative brands under the Group are designed, aiming to continuously enrich our product lines and broaden our fan base. In the first half of 2023, the GONG Studio launched 7 products, among which SPY-FAMILY Anya's Daily Life Series Figures as the first blind box product launched by GONG Studio, has reached a sales volume of over 26,000 units as of 30 June 2023 only one month after marketing, demonstrating a recognition by many fans.

Being a youth contemporary art operation organization under Pop Mart, inner flow engaged in artist agency, art exhibitions and the development, sales and operation of artistic derivatives. It dedicated efforts to the multi-channel promotion of youth art, creating a new culture of classic, unique and avantgarde contemporary art. In March 2023, inner flow organized the first overseas individual exhibition for contracted artist MEIYING in Lebanon, which was widely acclaimed. In June 2023, inner flow organized an exhibition themed “Reverie Spreading Over the Tropical Island” (“遐想蔓延熱帶島嶼”) at JINGHOPE ART CENTER in Sanya, which presented excellent works of 6 artists with which inner flow Gallery cooperated, displayed and sold limited art sculpture of inner flow store. In the same month, inner flow presented original works and limited art sculptures by its cooperative artists at Beijing Contemporary Art Expo, JINGART Expo and U Design Week. Inner flow continues to explore outstanding young artists, and has cooperated with nearly 60 domestic and overseas contemporary young artists.

Leveraging on our excellent operational capability of IPs and powerful market appeal, we promote more trendy artists to the public. In the first of 2023, we hosted 8 artist signing activities for IPs such as MOLLY, DIMOO, SWEET BEAN, Zsiga, PINO JELLY and ViViCat, aiming to build a communication platform between trendy creators and users, deepen the emotional connection between IPs and fans, and promote the development of trendy toy culture.

We continue to promote the globalization of our brands and the trendy toy culture by participating in large-scale overseas exhibitions and artist signing fairs. In January 2023, we held designer signing events for Hiroto Okubo and Yosuke Ueno, the Japanese artists, in Taiwan, China and Tokyo, sharing the stories of the collaboration between the artists and Pop Mart and behind the IP creation on the spot, showing the charm of IP to global consumers, and attracting more overseas artists and IP copyright owners to cooperate with us. In May and June 2023, we also participated in MCM London Comic Con, Melbourne OZ Comic Con, Jakarta Comic Con, Malaysia IOI CITY Mall Exhibition, respectively and a large number of local pop toy lovers were attracted by our exhibited IP pop figures such as SKULLPANDA, MOLLY, DIMOO, THE MONSTERS and Hirono.

FINANCIAL REVIEW

Sales revenue

Revenue of the Company increased from RMB2,358.8 million for the first half of 2022 to RMB2,813.8 million for the first half of 2023, representing a year-on-year increase of 19.3%.

Revenue by channels

Revenue of the Company is generated in Mainland China and Hong Kong, Macao, Taiwan and overseas through: (1) offline channels, (2) online channels, and (3) wholesales channels and others. The following table sets out the Company's revenue by channels for the first half of 2023 and the first half of 2022:

| | For the six months ended 30 June 2023 | | | For the six months ended 30 June 2022 | | |
|--|---------------------------------------|------------------------|--------------------------|---------------------------------------|------------------------|--------------------------|
| | Revenue <i>RMB'000</i> | Gross profit margin | Proportion of revenue | Revenue <i>RMB'000</i> | Gross profit margin | Proportion of revenue |
| Mainland China | | | | | | |
| Offline Channels | 1,450,567 | 63.0% | 51.5% | 1,095,658 | 60.6% | 46.4% |
| Online Channels | 817,418 | 59.8% | 29.1% | 977,933 | 59.2% | 41.5% |
| Wholesales and others | 170,047 | 35.6% | 6.0% | 128,537 | 29.8% | 5.5% |
| Total | 2,438,032 | 60.0% | 86.6% | 2,202,128 | 58.2% | 93.4% |
| Hong Kong, Macao, Taiwan and overseas | | | | | | |
| Offline Channels | 190,359 | 75.9% | 6.8% | 38,657 | 68.9% | 1.6% |
| Online Channels | 56,791 | 75.3% | 2.0% | 34,829 | 74.3% | 1.5% |
| Wholesales and others | 128,630 | 38.3% | 4.6% | 83,204 | 44.2% | 3.5% |
| Total | 375,780 | 62.9% | 13.4% | 156,690 | 57.0% | 6.6% |
| Grand total | 2,813,812 | 60.4% | 100.0% | 2,358,818 | 58.1% | 100.0% |

(1) *Mainland China*

Offline channels. Revenue from offline sales increased by 32.4% from RMB1,095.7 million for the first half of 2022 to RMB1,450.6 million for the first half of 2023. The table below sets forth a breakdown of revenue from offline sales by channel and the city tier:

| | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | | Change |
|---------------|--|--|--|--|--------------|
| | Revenue RMB'000 | Proportion of revenue from offline channels in Mainland China | Revenue RMB'000 | Proportion of revenue from offline channels in Mainland China | |
| Retail stores | 1,179,493 | 81.3% | 891,701 | 81.4% | 32.3% |
| Roboshops | 271,074 | 18.7% | 203,957 | 18.6% | 32.9% |
| Total | 1,450,567 | 100.0% | 1,095,658 | 100.0% | 32.4% |

| City tier | Retail Stores | | | | Roboshops | | | |
|---|--|----------------------|---------------------|----------------------|--|----------------------|---------------------|----------------------|
| | For the six months ended 30 June 2023 | | 2022 | | For the six months ended 30 June 2023 | | 2022 | |
| | Number of stores | Revenue (RMB'000) | Number of stores | Revenue (RMB'000) | Number of stores | Revenue (RMB'000) | Number of stores | Revenue (RMB'000) |
| First-tier cities ³ | 120 | 490,731 | 117 | 340,755 | 587 | 71,171 | 547 | 51,118 |
| New first-tier cities ⁴ | 99 | 329,101 | 89 | 270,860 | 663 | 84,279 | 603 | 64,349 |
| Second-tier and other cities ⁵ | 121 | 359,661 | 102 | 280,086 | 935 | 115,624 | 766 | 88,490 |
| Total | 340 | 1,179,493 | 308 | 891,701 | 2,185 | 271,074 | 1,916 | 203,957 |

- **Retail stores.** Revenue from retail store sales increased by 32.3% year on year from RMB891.7 million for the first half of 2022 to RMB1,179.5 million for the first half of 2023, primarily due to the followings: (1) the number of retail stores increased to 340 in Mainland China as of 30 June 2023, which had increased by 32 from 30 June 2022; (2) offline channels consumption has recovered due to full resumption of normal social and economic operations in the first half of 2023; and (3) we strived to enhance the image of store decoration, improve the display effect and relocate to a better location to attract foot traffic, thereby boosting sales.

³ Refers to the first-tier cities in Mainland China, including Beijing, Shanghai, Guangzhou and Shenzhen

⁴ Refers to the new first-tier cities in Mainland China, including Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Zhengzhou, Qingdao, Changsha, Tianjin, Suzhou, Nanjing, Dongguan, Shenyang, Hefei and Foshan

⁵ Refers to the cities other than first-tier cities and new first-tier cities in Mainland China

- **Roboshops.** Revenue from roboshop sales increased by 32.9% year on year from RMB204.0 million for the first half of 2022 to RMB271.1 million for the first half of 2023, primarily due to the followings: (1) as of 30 June 2023, there were a total of 2,185 roboshops, which had increased by 269 from 30 June 2022; (2) we gradually relocated machines with low sales to premium sales locations; and (3) with the recovery of offline consumption and tourism market, machines in high-speed railway stations, airports, scenic spots, cinemas and other scenes saw rapid growth in sales.

Online channels. Revenue from online sales decreased by 16.4% from RMB977.9 million for the first half of 2022 to RMB817.4 million for the first half of 2023. The table below sets forth a breakdown of revenue from online sales:

| | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | | Change |
|-----------------------|--|---|--|---|---------------|
| | Revenue <i>RMB'000</i> | Proportion of revenue from online channels in Mainland China | Revenue <i>RMB'000</i> | Proportion of revenue from online channels in Mainland China | |
| Pop Draw | 373,000 | 45.6% | 543,516 | 55.6% | -31.4% |
| Tmall flagship store | 155,264 | 19.0% | 244,882 | 25.0% | -36.6% |
| DouYin platform | 109,531 | 13.4% | 16,372 | 1.7% | 569.0% |
| Other online channels | 179,623 | 22.0% | 173,163 | 17.7% | 3.7% |
| Total | 817,418 | 100.0% | 977,933 | 100.0% | -16.4% |

Revenue from online channels in Mainland China includes those generated from Pop Draw, Tmall flagship store, DouYin platform and other online channels, amongst which, revenue from Pop Draw decreased by 31.4 % from RMB543.5 million for the first half of 2022 to RMB373.0 million for the first half of 2023; revenue from Tmall flagship store decreased by 36.6 % from RMB244.9 million for the first half of 2022 to RMB155.3 million for the first half of 2023; and revenue from DouYin platform increased by 569.0% from RMB16.4 million for the first half of 2022 to RMB109.5 million for the first half of 2023. In 2023, affected by the general online environment, the rapid development of content e-commerce platforms such as Tik Tok, and dispersion of online consumption with the recovery of consumption in offline channels, the traditional e-commerce platforms were shocked.

Wholesales and others. Revenue from wholesales and others in Mainland China increased by 32.3% from RMB128.5 million for the first half of 2022 to RMB170.1 million for the first half of 2023, primarily due to the increased store sales of our distributor, Nanjing Pop Mart.

(2) *Hong Kong, Macao, Taiwan and overseas*

Offline channels. Revenue from offline sales increased by 392.4% from RMB38.7 million for the first half of 2022 to RMB190.4 million for the first half of 2023. The table below sets forth a breakdown of revenue from offline sales:

| | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | | |
|---------------|--|--|--|--|---------------|
| | Revenue | Proportion of revenue from offline channels in Hong Kong, Macao, Taiwan and overseas | Revenue | Proportion of revenue from offline channels in Hong Kong, Macao, Taiwan and overseas | Change |
| | <i>RMB'000</i> | | <i>RMB'000</i> | | |
| Retail stores | 164,999 | 86.7% | 34,794 | 90.0% | 374.2% |
| Roboshops | 25,360 | 13.3% | 3,863 | 10.0% | 556.5% |
| Total | 190,359 | 100.0% | 38,657 | 100.0% | 392.4% |

- **Retail stores.** Revenue from retail store sales increased by 374.2% year on year from RMB34.8 million for the first half of 2022 to RMB165.0 million for the first half of 2023, primarily due to the increase in the number of retail stores, continuous expansion of channels in Hong Kong, Macao, Taiwan and overseas channels and opening of retail stores in more countries and regions. As of 30 June 2023, there were a total of 38 retail stores, which had increased by 27 from 30 June 2022.
- **Roboshops.** Revenue from roboshop sales increased by 556.5% year on year from RMB3.9 million for the first half of 2022 to RMB25.4 million for the first half of 2023, primarily due to an increase in the number of roboshops. As of 30 June 2023, there were a total of 106 roboshops, which had increased by 81 from 30 June 2022.

Online channels. Revenue from online sales increased by 63.1% from RMB34.8 million for the first half of 2022 to RMB56.8 million for the first half of 2023. The table below sets forth a breakdown of revenue from online sales:

| | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | | Change |
|---------------------------|--|--|--|--|--------------|
| | Revenue <i>RMB'000</i> | Proportion of revenue from online channels in Hong Kong, Macao, Taiwan and overseas | Revenue <i>RMB'000</i> | Proportion of revenue from online channels in Hong Kong, Macao, Taiwan and overseas | |
| Shopee | 14,803 | 26.1% | 6,023 | 17.3% | 145.8% |
| Pop Mart official website | 12,317 | 21.7% | 16,053 | 46.1% | -23.3% |
| Other online channels | 29,671 | 52.2% | 12,753 | 36.6% | 132.7% |
| Total | 56,791 | 100.0% | 34,829 | 100.0% | 63.1% |

Revenue from online channels in Hong Kong, Macao, Taiwan and overseas includes those generated from Pop Mart official website, Shopee and other online channels, amongst which, revenue from Shopee increased by 145.8% from RMB6.0 million for the first half of 2022 to RMB14.8 million for the first half of 2023; and revenue from Pop Mart official website decreased by 23.3% from RMB16.1 million for the first half of 2022 to RMB12.3 million for the first half of 2023, primarily due to the fact that we continued to develop new online platforms and expanded into more countries and regions. Meanwhile, we reduced the advertising of the original online platform and increased the promotion of the platform with higher sales conversion rate.

Wholesales and others. Revenue from wholesales and others in Hong Kong, Macao, Taiwan and overseas regions increased by 54.6% from RMB83.2 million for the first half of 2022 to RMB128.6 million for the first half of 2023, primarily due to the continuous expansion in business in Hong Kong, Macau, Taiwan and overseas, the increasing brand awareness and more efforts to both existing markets and emerging markets.

Revenue by IPs

Pop Mart proprietary products are our major product type. In the first half of 2023, revenue from proprietary products contributed 91.9% of our total revenue. Revenue from proprietary products increased by 20.0% from RMB2,155.7 million for the first half of 2022 to RMB2,585.8 million for the first half of 2023.

Proprietary products of Pop Mart are mainly divided into: artist IPs and licensed IPs⁶, and below sets forth a breakdown of revenue by IPs:

| | Six months ended 30 June | | | |
|--|--------------------------|---------------|--------------------|---------------|
| | 2023 | Proportion of | 2022 | Proportion of |
| | Revenue RMB'000 | revenue | Revenue RMB'000 | revenue |
| Proprietary products | 2,585,773 | 91.9% | 2,155,652 | 91.4% |
| Artist IPs | 2,164,270 | 76.9% | 1,855,024 | 78.7% |
| SKULLPANDA | 526,383 | 18.7% | 461,766 | 19.6% |
| MOLLY | 411,433 | 14.6% | 404,347 | 17.1% |
| DIMOO | 362,032 | 12.9% | 298,442 | 12.7% |
| THE MONSTERS | 159,829 | 5.7% | 134,887 | 5.7% |
| HIRONO | 109,352 | 3.9% | 37,538 | 1.6% |
| Sweet Bean | 75,367 | 2.7% | 81,247 | 3.4% |
| HACIPUPU | 69,171 | 2.4% | – | – |
| Other artist IPs | 450,703 | 16.0% | 436,797 | 18.6% |
| Licensed IPs | 421,503 | 15.0% | 300,628 | 12.7% |
| External procurement and others | 228,039 | 8.1% | 203,166 | 8.6% |
| Total | 2,813,812 | 100.0% | 2,358,818 | 100.0% |

- **Artist IPs.** Artist IPs are the major product type of the Company, primarily including MOLLY, SKULLPANDA, DIMOO and THE MONSTERS. The proportion of revenue from artist IPs decreased from 78.7% for the first half of 2022 to 76.9% for the first half of 2023. Revenue from artist IPs increased by 16.7% from RMB1,855.0 million for the first half of 2022 to RMB2,164.3 million for the first half of 2023, primarily due to the increased revenue contribution from sales of SKULLPANDA, MOLLY, DIMOO and THE MONSTERS and newly superscript IPs, such as HACIPUPU, Zsiga, PINO JELLY, also achieved outstanding performance.
- **Licensed IPs.** Revenue from Licensed IPs increased by 40.2% from RMB300.6 million for the first half of 2022 to RMB421.5 million for the first half of 2023, which is mainly because we conducted diversified cooperation with more copyright owners in different styles and ways and launched new products, contributing to our sales.

⁶ In order to more intuitively reflect the revenue contribution of proprietary products from artists' original IPs and externally licensed classic IPs, the Company has reclassified the IPs classification method. Artist IPs include original proprietary IPs and exclusive IPs, while licensed IPs are original non-exclusive IPs.

Costs of sales

Our costs of sales increased by 12.9% from RMB988.4 million for the first half of 2022 to RMB1,115.5 million for the first half of 2023. The increase was primarily due to (1) the increase in costs of goods from RMB868.0 million for the first half of 2022 to RMB923.9 million for the first half of 2023, which was mainly due to the increase in sales; and (2) the increase in design and licensing costs from RMB32.9 million in the first half of 2022 to RMB77.5 million in the first half of 2023, which was mainly due to the increase in the proportion of proprietary products and the increase in co-branded products, which required more payment of IP licensing fees and product design fees.

Gross profit

The Company's gross profit increased by 23.9% from RMB1,370.4 million for the first half of 2022 to RMB1,698.4 million for the first half of 2023, primarily due to the increase in revenue and the control of cost of sales. Our gross profit margin increased from 58.1% for the first half of 2022 to 60.4% for the first half of 2023, primarily due to the increase in gross profit margin of our Pop Mart proprietary products.

Gross profit from Pop Mart proprietary products increased by 25.2% from RMB1,303.4 million for the first half of 2022 to RMB1,631.7 million for the first half of 2023, primarily due to the increase in revenue from Pop Mart proprietary products. Gross profit margin of Pop Mart proprietary products increased from 60.5% for the first half of 2022 to 63.1% for the first half of 2023, primarily due to the fact that (1) we optimized our product design and increased our bargaining power with suppliers. Moreover, suppliers' pricing system was stable, and the gross profit margin of new products increased in the first half of 2023; and (2) we reduced some sales campaigns.

Gross profit generated from external procurement and other products decreased from RMB67.0 million for the first half of 2022 to RMB66.7 million for the first half of 2023, which was basically unchanged.

Distribution and selling expenses

Our distribution and selling expenses increased by 26.7% from RMB693.2 million for the first half of 2022 to RMB878.3 million for the first half of 2023, of which, employee benefit expenses and depreciation of right-of-use assets account for a significant part.

- **Employee benefit expenses.** Employee benefit expenses increased by 43.6% from RMB196.0 million for the first half of 2022 to RMB281.4 million for the first half of 2023, mainly due to (1) the increase in the number of sales personnel from 2,940 (due to structural adjustment of the Company, such figure was reclassified and recalculated) for the first half of 2022 to 3,189 for the first half of 2023, mainly for supporting the expansion of our retail stores and roboshop network; and (2) share-based payment for share incentive scheme of RMB34.1 million in aggregate.
- **Depreciation of right-of-use assets.** Depreciation of right-of-use assets increased by 36.3% from RMB107.8 million for the first half of 2022 to RMB146.9 million for the first half of 2023, which was mainly due to an increase in the number of offline retail outlets by 59 compared to the first half of 2022 to cater for our business expansion in Mainland China, Hong Kong, Macao and Taiwan and overseas.

General and administrative expenses

Our general and administrative expenses increased by 2.7% from RMB322.7 million for the first half of 2022 to RMB331.3 million for the first half of 2023, of which, employee benefit expenses accounted for a significant part.

- **Employee benefit expenses.** Employee benefit expenses increased by 4.3% from RMB206.2 million for the first half of 2022 to RMB215.1 million for the first half of 2023, mainly due to (1) the increase in number of our administrative and design development personnel from 940 (due to structural adjustment of the Company, such figure was reclassified and recalculated) for the first half of 2022 to 959 for the first half of 2023, mainly for supporting our product development and business expansion, as well as the rise in remuneration level for attracting talents; and (2) share-based payment for share incentive scheme of RMB24.0 million in aggregate.

Other income

Other income of the Company increased by 53.8% from RMB24.3 million for the first half of 2022 to RMB37.4 million for the first half of 2023. Among which, (1) government grants increased from RMB4.8 million for the first half of 2022 to RMB21.2 million for the first half of 2023; (2) income from IP license fee and other services decreased from RMB18.9 million in the first half of 2022 to RMB15.5 million in the first half of 2023.

Other gains – net

We recorded other gains, net of RMB67.1 million for the first half of 2022, and other gains, net of RMB11.6 million for the first half of 2023, primarily due to the fair value changes of equity investments and fund investments in the first half of 2022, while the change in the first half of 2023 was insignificant.

Operating profit

In light of the above, the Company's operating profit increased by 20.6% from RMB446.1 million for the first half of 2022 to RMB537.8 million for the first half of 2023.

Finance income – net

Our finance income, net, increased from net gains of RMB7.0 million for the first half of 2022 to net gains of RMB63.4 million for the first half of 2023, primarily due to the increase in our interest income.

Income tax expense

Our income tax expense increased from RMB125.0 million for the first half of 2022 to RMB141.3 million for the first half of 2023 as a result of the increase in profit before income tax. Our effective tax rate declined from 27.3% for the first half of 2022 to 22.8% for the first half of 2023.

Profit for the period

As a result of the above, our profit for the period increased from RMB332.9 million for the first half of 2022 to RMB477.2 million for the Reporting Period, representing an increase of 43.3%.

Non-IFRS adjusted net profit

The non-IFRS adjusted net profit has not been calculated in accordance with the IFRS, thus it is deemed as non-IFRS financial indicator. The non-IFRS adjusted net profit refers to the net profit after excluding share-based payment, while the non-IFRS adjusted net profit margin refers to the non-IFRS adjusted net profit divided by revenue. We are of the view that such information is useful for investors to compare the results of the Group, provided that the results of operation or cash flows of the Group are not being affected, and enables investors to take into consideration of the indicators used by the management when assessing the results of the Group. Investors shall not treat non-IFRS financial indicator as an alternative or better version of the results of the Group prepared in accordance with IFRS. In addition, not all companies will adopt the same way in calculating such non-IFRS financial indicators. Hence, similar measurements made by other companies may not be comparable.

The following table sets out the reconciliation of non-IFRS financial indicators of the Company for the respective periods.

| | For the six months ended 30 June 2023 RMB'000 | For the six months ended 30 June 2022 RMB'000 |
|-------------------------------------|--|--|
| Profit for the period | 477,242 | 332,945 |
| Adjustments | | |
| Share-based payment | 58,123 | 43,340 |
| Non-IFRS adjusted net profit | 535,365 | 376,285 |
| Non-IFRS adjusted net profit margin | 19.0% | 16.0% |

Share-based payment expenses are non-cash items, which do not directly reflect our business operation. Hence, through eliminating the effects of such items on calculation of non-IFRS adjusted net profit, relevant operating performance can be better reflected, and it would be more convenient to compare operating performance in different years.

Current assets, Financial Resources and Capital Expenditures

For the six months ended 30 June 2023, the Company and its subsidiaries adopted conservative and stable fund management and financial policies in their overall business operations. The Group maintained the following resources to meet its working capital requirements:

Current assets and current liabilities

Our net current assets increased from RMB5,484.8 million as of 31 December 2022 to RMB5,733.4 million as of 30 June 2023, which was basically stable.

Trade receivables

Trade receivables represent outstanding amounts receivable by us from our customers in the ordinary course of business. Our trade receivables increased from RMB194.4 million as of 31 December 2022 to RMB208.9 million as of 30 June 2023. Such increase was mainly due to the increase in receivables of certain joint ventures in Hong Kong, Macao, Taiwan and overseas with business expansion. Trade receivables turnover days increased from 12 days in 2022 to 13 days for the six months ended 30 June 2023.

Inventories

Our inventories comprise finished goods. Our inventories decreased from RMB867.0 million as of 31 December 2022 to RMB758.8 million as of 30 June 2023. The decrease was primarily because we continued to flexibly adjust the supply chain, which improved the accuracy of forecasts, and controlled the number of orders. Inventory turnover days decreased from 156 days in 2022 to 132 days for the six months ended 30 June 2023.

Cash and cash equivalents

Our cash and cash equivalents primarily comprise cash at bank. Cash and cash equivalents increased from RMB685.3 million as of 31 December 2022 to RMB1,473.4 million as of 30 June 2023, primarily due to increase in cash generated from operating activities and, redemption of fixed-term deposit of RMB290.0 million upon maturity.

Trade payables

Trade payables primarily represent our obligation to pay for merchandise from suppliers in the ordinary course of business. Trade payables increased from RMB259.0 million as of 31 December 2022 to RMB349.5 million as of 30 June 2023, primarily due to the increase in procurement amount as a result of our business growth, which in turns resulted in the increase in balance of payables to suppliers. Trade payable turnover days in the first half of 2023 was 49 days, which was the same as that in the first half of 2022.

Bank borrowings

The Group did not have any bank borrowings as of 30 June 2023.

Pledge of Assets

The Group did not have any pledged assets as of 30 June 2023.

Gearing Ratio

The gearing ratio is calculated by dividing total liabilities by total assets and then multiplying by 100%. As at 30 June 2023, the gearing ratio of the Group was 19.4% as compared with the gearing ratio of 18.8% as at 31 December 2022.

Contingency

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we are involved in such material legal proceedings, we would record any loss or contingent liabilities when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Foreign Exchange Risk Management

We operate mainly in the PRC with most of the transactions settled in RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities. For the six months ended 30 June 2023, we did not hedge against any fluctuation in foreign currency.

Capital Expenditures

The Company's capital expenditures consist of purchases of property, plant and equipment and purchases of intangible assets. The table below sets out the Company's capital expenditures for the first half of 2022 and the first half of 2023:

| | For the six months ended 30 June 2023 <i>RMB'000</i> | For the six months ended 30 June 2022 <i>RMB'000</i> |
|--|---|---|
| Purchases of property, plant and equipment | 186,617 | 135,860 |
| Purchase of intangible assets | 27,462 | 26,253 |
| Total | <u>214,079</u> | <u>162,113</u> |

Human Resources

As of 30 June 2023, we had a total of 4,148 employees, including 3,189 sales personnel and 959 administrative and development personnel. For the six months ended 30 June 2023, we incurred staff costs (including remuneration, payrolls, allowances and benefits) of RMB496.4 million in total.

Future Plans on Significant Investments

As of 30 June 2023, we did not hold any significant investment.

We will continue to seek for potential strategic investment opportunities, as well as potential quality target operations and assets that can create synergy effect to the Group.

Material Acquisitions and Disposals

For the six months ended 30 June 2023, we had not conducted any material acquisition or disposal of subsidiaries, associates and joint ventures.

SUBSEQUENT EVENT AFTER REPORTING PERIOD

As at the date of this announcement, the Group has no significant events occurred after the Reporting Period which require additional disclosures or adjustments.

OUTLOOK

IP is at the core of our business. Through our innovative products, delicate design and quality services, we aim to offer consumers with joyful pop culture and artistic experience. At the same time, by continuously increasing our brand value, expanding product categories and innovating product models, we will enhance the brand loyalty of users on Pop Mart products, thereby maintaining our strong market position and competitiveness.

We will strive to enrich our IPs types, expand our IPs base, maintain high-quality design and innovation standards, introduce more products under the head series, incubate and operate IPs continuously, strengthen IPs core, and deepen the emotional connection between fans and IPs. We will continuously increase types of pop toys, further explore the value of box products such as MEGA, POP BEAN, side products and BJD, and improve relevant technologies and production and sales procedures. We will also pay attention to the philosophy of sustainable development and environmental protection, launch more products and packaging made of environmentally friendly materials, providing global consumers with more safe and assured product choices.

Our international business will maintain rapid growth by continuous promotion of the overseas DTC strategy, deploying physical stores, roboshops, overseas e-commerce platforms and other channels to promote the global penetration of our brand and continuously increase Pop Mart's brand awareness and market share in pop toy market in overseas countries and regions. Localization of operation is the core of our overseas operations. While enhancing the shopping experience and interaction of end consumers, we will also cooperate with more local business partners and artists to explore more business models, IPs and product types that meet the needs of local market.

We will continue to expand our channel network so as to reach more users. In addition, we will continue to strengthen our operating capability, improve user shopping experience, enhance member expansion and member operation capability, promote innovative retail digitalized operation, reach and retain users through diversified measures, and offer quality services to meet the differentiated needs of members.

We will continue to promote pop toy culture through more diversified means, influence the whole industry continuously, offer more benefits for our privilege members, increase the stickiness of fans, as well as enhance the cultural identity and brand awareness of fans.

While further engaging in the pop toy business, we will continue to create new brands including MEGA, GONG and inner flow, and facilitate the establishment of amusement parks and other new businesses to construct a more sophisticated and comprehensive business ecosystem with IP at its core.

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 December 2020 by way of global offering, and the total net proceeds (the “**Net Proceeds**”) received by the Company from the global offering (including the full exercise of the over-allotment option) amounted to approximately HK\$5,781.7 million after deducting professional fees, underwriting commissions and other related listing expenses.

As stated in the prospectus of the Company dated 1 December 2020 (the “Prospectus”), the intended uses and the balance of the Net Proceeds are set out below:

| Intended use of Net Proceeds | Allocation of Net Proceeds | Percentage of total Net Proceeds | Amount of Net Proceeds unutilized up to 31 December 2022 | Amount of Net Proceeds utilized during 6 months ended 30 June 2023 | Amount of Net Proceeds utilized up to 30 June 2023 | Balance of Net Proceeds unutilized as at 30 June 2023 | Intended timetable for use of the unutilized Net Proceeds |
|--|----------------------------|----------------------------------|--|--|--|---|---|
| (i) To finance part of our expansion plans of consumer access channels and overseas markets | HK\$1,734.5 million | 30.0% | HK\$508.1 million | HK\$117.2 million | HK\$1,343.6 million | HK\$390.9 million | Before 31 December 2024 |
| (a) for opening new retail stores | HK\$954.0 million | 16.5% | – | – | HK\$954.0 million | – | |
| (b) for opening new roboshops | HK\$346.9 million | 6.0% | HK\$162.1 million | HK\$39.6 million | HK\$224.4 million | HK\$122.5 million | |
| (c) for expanding our business into overseas markets | HK\$433.6 million | 7.5% | HK\$346.0 million | HK\$77.6 million | HK\$165.2 million | HK\$268.4 million | |
| (ii) To fund our potential investments in, acquisitions of and strategic alliance with companies along the value chain of our industry | HK\$1,561.1 million | 27.0% | HK\$1,249.3 million | – | HK\$311.8 million | HK\$1,249.3 million | Before 31 December 2024 |
| (iii) To invest in technology initiatives to strengthen our marketing and fan engagement efforts, and to enhance the digitalization of our business | HK\$867.2 million | 15.0% | HK\$549.3 million | HK\$74.4 million | HK\$392.3 million | HK\$474.9 million | |
| (a) for talent recruitment | HK\$173.5 million | 3.0% | HK\$113.4 million | HK\$18.1 million | HK\$78.2 million | HK\$95.3 million | Before 31 December 2023 |
| (b) for acquiring relevant software and hardware to enhance digitalization and establish information systems for digital marketing, customer services, logistics, products, supply chain, warehousing, membership, transactions and store management and marketing | HK\$346.9 million | 6.0% | HK\$271.2 million | HK\$11.0 million | HK\$86.7 million | HK\$260.2 million | Before 31 December 2024 |
| (c) for optimizing our online marketing efforts, which primarily consist of strategically placed advertisement, icons, links and notifications on third party promotional platforms | HK\$346.8 million | 6.0% | HK\$164.7 million | HK\$45.3 million | HK\$227.4 million | HK\$119.4 million | Before 31 December 2024 |

| Intended use of Net Proceeds | Allocation of Net Proceeds | Percentage of total Net Proceeds | Amount of Net Proceeds unutilized up to 31 December 2022 | Amount of Net Proceeds utilized during 6 months ended 30 June 2023 | Amount of Net Proceeds utilized up to 30 June 2023 | Balance of Net Proceeds unutilized as at 30 June 2023 | Intended timetable for use of the unutilized Net Proceeds |
|---|----------------------------|----------------------------------|--|--|--|---|---|
| (iv) To expand our IP pool | HK\$1,040.7 million | 18.0% | HK\$818.7 million | HK\$28.6 million | HK\$250.6 million | HK\$790.1 million | |
| (a) for enhancing our ability to identify outstanding artists | HK\$260.3 million | 4.5% | HK\$124.9 million | HK\$28.6 million | HK\$164.0 million | HK\$96.3 million | Before 31 December 2024 |
| (b) for recruiting talented designers to join our in-house design team to enhance our in-house original IP development capability by providing competitive salary | HK\$86.6 million | 1.5% | – | – | HK\$86.6 million | – | – |
| (c) for acquisitions of popular IPs from to expand our IP pool | HK\$693.8 million | 12.0% | HK\$693.8 million | – | – | HK\$693.8 million | Before 31 December 2024 |
| (v) Working capital and general corporate purposes | HK\$578.2 million | 10.0% | – | – | HK\$578.2 million | – | – |

The Group will utilise the Net Proceeds of the initial public offering in accordance with the intended purposes as set out in the Prospectus.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2023, except for deviation from code provision C.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. Wang Ning.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three Independent Non-executive Directors out of nine Directors, and the Board believes there is sufficient check and balance on the Board; (ii) Mr. Wang Ning and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Wang Ning is our principal founder, the Board believes that vesting the roles of both chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all directors of the Company (the “**Directors**”), each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, the Company repurchased a total of 15,217,000 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$275,781,728. The repurchased shares were subsequently cancelled. Particulars of the shares repurchased are as follows:

| Month of Repurchase | No. of Shares Repurchased | Price Paid per Share | | Aggregate Consideration (HK\$) |
|---------------------|---------------------------|----------------------|---------------|--------------------------------|
| | | Highest (HK\$) | Lowest (HK\$) | |
| April | 3,632,600 | 20.00 | 17.08 | 68,758,920 |
| May | 5,234,400 | 19.90 | 16.62 | 96,699,024 |
| June | 6,350,000 | 18.28 | 16.40 | 110,323,784 |
| Total | 15,217,000 | | | 275,781,728 |

Save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director, namely, Mr. Wu Liansheng, Mr. Ngan King Leung Gary and Mr. Tu Zheng. The chairman of the Audit Committee is Mr. Wu Liansheng, and Mr. Ngan King Leung Gary, a member of the Audit Committee, has a professional qualification in accountancy.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 30 June 2023.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2023 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PUBLICATION OF THE INTERIM RESULTS AND 2023 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.popmart.com), and the interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders in due course and published on the respective websites of the Stock Exchange and the Company.

By order of the Board
POP MART INTERNATIONAL GROUP LIMITED
Wang Ning

Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 22 August 2023

As at the date of this announcement, the executive Directors are Mr. Wang Ning, Ms. Yang Tao, Ms. Liu Ran and Mr. Si De, the non-executive Directors are Mr. Tu Zheng and Mr. He Yu, and the independent non-executive Directors are Mr. Zhang Jianjun, Mr. Wu Liansheng and Mr. Ngan King Leung Gary.