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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 JUNE 30, 2021**

INTERIM RESULTS HIGHLIGHTS

	For the six months ended June 30, 2021 (RMB'000) (Unaudited)	For the six months ended June 30, 2020 (RMB'000) (Audited)	Change (%)
Revenue	1,772,577	817,791	116.8%
Gross profit	1,117,065	533,439	109.4%
Operating profit	486,687	208,368	133.6%
Profit before income tax	496,555	196,882	152.2%
Profit for the period	358,798	141,284	154.0%
Profit attributable to owners of the Company	358,742	141,358	153.8%
Non-IFRS adjusted net profit	435,189	178,267	144.1%
Basic earnings per share (RMB cents)	26.04	12.28	112.1%
Diluted earnings per share (RMB cents)	26.02	12.28	111.9%

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 and its subsidiaries (the “**Group**”) for the six months ended June 30, 2021 (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 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended June 30,	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	4	1,772,577	817,791
Cost of sales	5	<u>(655,512)</u>	<u>(284,352)</u>
Gross profit		<u>1,117,065</u>	<u>533,439</u>
Distribution and selling expenses	5	(419,780)	(223,030)
General and administrative expenses	5	(239,673)	(125,397)
(Provision for)/reversal of impairment losses on financial assets		(3,296)	977
Other income	6	25,425	31,369
Other gains/(losses) – net		<u>6,946</u>	<u>(8,990)</u>
Operating profit		<u>486,687</u>	<u>208,368</u>
Finance income	7	13,888	699
Finance expenses	7	<u>(8,160)</u>	<u>(4,624)</u>
Finance income/(expense) – net	7	<u>5,728</u>	<u>(3,925)</u>
Fair value changes of convertible redeemable preferred shares		–	(6,436)
Share of profit/(loss) of investments accounted for using the equity method		<u>4,140</u>	<u>(1,125)</u>
Profit before income tax		<u>496,555</u>	<u>196,882</u>
Income tax expense	8	<u>(137,757)</u>	<u>(55,598)</u>
Profit for the period		<u>358,798</u>	<u>141,284</u>
Profit for the period attributable to:			
Owners of the Company		358,742	141,358
Non-controlling interests		56	(74)

	<i>Notes</i>	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
– Currency translation differences		<u>(3,198)</u>	<u>(33,915)</u>
Items that will not be reclassified to profit or loss			
– Currency translation differences		<u>(51,275)</u>	<u>18,864</u>
Other comprehensive loss for the period, net of tax		<u>(54,473)</u>	<u>(15,051)</u>
Total comprehensive income for the period		<u>304,325</u>	<u>126,233</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		304,336	126,101
– Non-controlling interests		(11)	132
Earnings per share for profit attributable to owners of the Company			
Basic (expressed in RMB cents per share)	<i>10</i>	26.04	12.28
Diluted (expressed in RMB cents per share)	<i>10</i>	26.02	12.28

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		270,221	238,325
Intangible assets		90,206	92,731
Right-of-use assets		380,204	287,799
Investments accounted for using the equity method		54,205	50,380
Financial assets at fair value through profit or loss		83,974	16,900
Prepayments and other non-current assets		52,342	6,177
Deferred income tax assets		25,881	23,087
		957,033	715,399
Total non-current assets			
Current assets			
Trade receivables	11	135,390	78,334
Other receivables		117,509	90,781
Inventories		315,962	225,369
Prepayments and other current assets		304,613	177,918
Financial assets at fair value through profit or loss		39,959	–
Restricted cash		3,230	3,263
Term deposits with initial term over three months and within one year		4,263,666	–
Cash and cash equivalents		1,503,622	5,680,235
		6,683,951	6,255,900
Total current assets			
		7,640,984	6,971,299
Total assets			

	<i>Notes</i>	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Equity			
Share capital	<i>12</i>	923	923
Shares held for share award scheme		(16)	(16)
Other reserves		5,014,059	5,189,115
Retained earnings		<u>1,298,094</u>	<u>939,352</u>
Equity attributable to owners of the Company		6,313,060	6,129,374
Non-controlling interests in equity		<u>1,617</u>	<u>1,628</u>
Total equity		<u>6,314,677</u>	<u>6,131,002</u>
Liabilities			
Non-current liabilities			
License fees payables	<i>14</i>	24,694	27,934
Lease liabilities		<u>209,447</u>	<u>147,050</u>
Total non-current liabilities		<u>234,141</u>	<u>174,984</u>
Current liabilities			
Trade payables	<i>13</i>	222,935	115,804
License fees payables	<i>14</i>	58,831	58,880
Other payables		399,279	202,297
Contract liabilities		156,428	83,941
Lease liabilities		181,412	144,724
Current income tax liabilities		<u>73,281</u>	<u>59,667</u>
Total current liabilities		<u>1,092,166</u>	<u>665,313</u>
Total liabilities		<u>1,326,307</u>	<u>840,297</u>
Total equity and liabilities		<u><u>7,640,984</u></u>	<u><u>6,971,299</u></u>

NOTE TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Pop Mart International Group Limited (the “**Company**”) was incorporated in the Cayman Islands on May 9, 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 (“**Hong Kong Stock Exchange**”) since December 11, 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 August 27, 2021.

This interim condensed consolidated financial information for the six months ended June 30, 2021 has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended June 30, 2021 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 December 31, 2020, 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 December 31, 2020, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

The adoption of the new and amended standards which are effective for annual reporting period commencing January 1, 2021 does not have any significant impact on the Group’s significant accounting policies and the presentation of this interim condensed consolidated financial information.

In addition, certain new and amended standards and annual improvements have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These new and amended standards and annual improvements 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

Management determines the operating segments based on the reports reviewed by the chief operating decision-makers (“CODM”, being the executive directors of the Group) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales of pop toys to external customers, which are considered as one segment. The Group’s principal market is the Mainland China and its sales to overseas customers contributed to less than 10% of the total revenues for the six months ended June 30, 2021 and 2020. Accordingly, no geographical information is presented.

Breakdown of revenue by business lines is as follows:

	Six months ended June 30,	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Audited)
Revenue from contracts with customers		
Revenue from retail store sales	675,286	313,296
Revenue from roboshop sales	227,561	105,496
Revenue from online sales	678,281	334,303
Revenue from wholesales	191,449	63,500
Revenue from conventions	—	1,196
	<u>1,772,577</u>	<u>817,791</u>
Total	<u>1,772,577</u>	<u>817,791</u>

	Six months ended June 30,	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Audited)
Revenue		
Point-in-time	<u>1,772,577</u>	<u>817,791</u>

	Six months ended June 30,	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Audited)
Revenue		
Revenue recognised on a gross basis	1,772,577	817,134
Revenue recognised on a net basis (i)	<u>—</u>	<u>657</u>
Total	<u>1,772,577</u>	<u>817,791</u>

- (i) Certain revenue generated from consignment sales of third-party brand products in the Group’s retail store and at the conventions hosted by the Group is recognised on a net basis when the Group acts as an agent in the transactions and does not take inventory risk or have latitude in establishing prices for the products.

During the six months ended June 30, 2021 and 2020, no revenue derived from transactions with a single customer represent 10% or more of the Group’s total revenue.

5 EXPENSES BY NATURE

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Cost of goods	518,947	228,292
Employee benefit expenses	278,584	95,682
Depreciation of right-of-use assets	89,814	56,370
Design and license fees	64,036	26,462
Depreciation on property, plant and equipment	62,588	24,760
Advertising and marketing expenses	56,754	30,411
Transportation and logistics expenses	47,476	35,405
Expenses relating to short-term leases and variable leases not included in lease liabilities	46,326	13,871
E-commerce platform service charges	39,491	25,584
Amortisation of intangible assets	19,152	13,501
Taxes and surcharges	15,292	5,438
Cost of moulds	10,881	2,140
Commissions to roboshop partners	4,461	5,592
Auditor's remuneration	1,500	–
Impairment of inventory	165	2,047
Expense relating to re-designation of ordinary shares to preferred shares	–	16,910
Listing expenses	–	13,637
Others	59,498	36,677
Total	1,314,965	632,779

6 OTHER INCOME

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
License fee income	17,772	8,241
Government grants (i)	6,704	23,123
Others	949	5
Total	25,425	31,369

- (i) The amounts represent government grants related to income which are received from the local government for the contribution to the local economic growth. These grants are recognised in interim condensed consolidated statement of profit or loss and other comprehensive income upon the receipt. There are no unfulfilled conditions or contingencies relating to these grants.

7 FINANCE INCOME/(EXPENSES) – NET

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Finance income		
– Interest income on bank deposits	13,888	699
Finance expenses		
– Interest expenses on lease liabilities	(7,694)	(4,624)
– Others	(466)	–
	<u>(8,160)</u>	<u>(4,624)</u>
Finance income/(expenses) -net	<u>5,728</u>	<u>(3,925)</u>

8 INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax	140,551	61,723
Deferred income tax credit	(2,794)	(6,125)
Income tax expense	<u>137,757</u>	<u>55,598</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 to June 30, 2021 is approximately 27.7% (six months ended June 30, 2020: 28.2%).

9 DIVIDENDS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Final dividend for the year ended December 31, 2020 of RMB14.94 cents per share, as recommended and approved during the period	<u>205,832</u>	<u>–</u>

Pursuant to a resolution passed on June 1, 2021, the shareholders of the Company approved a final dividend of RMB14.94 cents per ordinary share of the Company, amounting to RMB205,832,000 (which are net of the dividend of RMB3,687,000 attributable to the shares held for the Restricted Shares Award Scheme) for the year ended December 31, 2020. As at June 30, 2021, the dividends paid amounted to RMB26,797,000, and the remaining balance of unpaid dividends was recorded in other payables and accruals in the interim condensed consolidated balance sheet.

10 EARNINGS PER SHARE

Following the completion of the capitalization issue on December 11, 2020, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six month ended June 30, 2020 has been retrospectively adjusted.

(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 Restricted Share Award Scheme during the six months ended June 30, 2021 and 2020.

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Restated)
Profit attributable to owners of the Company (RMB'000)	358,742	141,358
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (Thousands)	<u>1,377,607</u>	<u>1,150,743</u>
Basic earnings per share (expressed in RMB cents per share)	<u>26.04</u>	<u>12.28</u>

(b) Dilute earnings per share

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 restricted shares granted and assumed vested ("**Restricted Shares**") are the only dilutive potential ordinary shares as at June 30, 2021.

The calculation of diluted earnings per share for the six months ended June 30, 2021 is set out below:

	Six months ended June 30, 2021 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	<u>358,742</u>
Profit used to determine diluted earnings per share (RMB'000)	<u>358,742</u>
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (in thousands)	1,377,607
Adjustment for – Restricted Shares granted and assumed vested (in thousands)	<u>976</u>
Weighted average number of shares for diluted earnings per shares (in thousands)	<u>1,378,583</u>
Diluted earnings per share (expressed in RMB cents per share)	<u>26.02</u>

For the six month ended June 30, 2020, diluted earnings per share is calculated based on the profit for the period attributable to owners of the Company after adjustment for fair value changes on convertible redeemable preferred shares and the weighted average number of ordinary shares outstanding after adjustment for assumed conversion of all dilutive potential ordinary shares, which were anti-dilutive for the purpose of calculating diluted earnings per share. As a result, the calculation of diluted earnings per share for the six months ended June 30, 2020 is not presented.

11 TRADE RECEIVABLES

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Trade receivables (a)		
– Third parties	95,369	61,311
– Related parties	<u>45,407</u>	<u>19,288</u>
Subtotal	140,776	80,599
Less: provision for impairment (b)	<u>(5,386)</u>	<u>(2,265)</u>
Total trade receivables	<u>135,390</u>	<u>78,334</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 June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Within 3 months	134,379	67,736
3 months to 6 months	2,792	11,477
Over 6 months	<u>3,605</u>	<u>1,386</u>
Total	<u>140,776</u>	<u>80,599</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 June 30, 2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
As at January 1	2,265	2,933
Provision for/(reversal of) impairment allowance of trade receivables	<u>3,121</u>	<u>(1,075)</u>
As at June 30	<u>5,386</u>	<u>1,858</u>

12 SHARE CAPITAL

Authorised:

	Number of ordinary shares	Nominal value of ordinary shares <i>USD'000</i>
Ordinary shares of US\$0.0001 each On January 1, 2020, December 31, 2020 and June 30, 2021	<u>5,000,000,000</u>	<u>500</u>

Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares <i>USD'000</i>	Unaudited		Nominal value of preferred shares <i>USD'000</i>	Nominal value of preferred shares <i>RMB'000</i>
			Nominal value of ordinary shares <i>RMB'000</i>	Number of preferred shares		
At January 1, 2021 and June 30, 2021	<u>1,401,937,550</u>	<u>141</u>	<u>923</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Number of ordinary shares	Nominal value of ordinary shares <i>USD'000</i>	Audited		Nominal value of preferred shares <i>USD'000</i>	Nominal value of preferred shares <i>RMB'000</i>
			Nominal value of ordinary shares <i>RMB'000</i>	Number of preferred shares		
At January 1, 2020	115,456,278	12	82	-	-	-
Issuance of ordinary shares (a)	6,076,646	1	4	-	-	-
Issuance of preferred shares (b)	-	-	-	610,718	-	-
Re-designation of ordinary shares to convertible redeemable preferred shares (b)	(3,664,310)	-	(3)	3,664,310	-	3
Conversion of convertible redeemable preferred shares into ordinary shares (b)	4,275,028	-	3	(4,275,028)	-	(3)
At June 30, 2020	<u>122,143,642</u>	<u>13</u>	<u>86</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (a) On October 31, 2019, the Company entered into a share subscription agreement with certain shareholders in respect of the issuance of 6,076,646 shares for a total consideration of USD56 million. The issuance of shares was completed in March and April 2020, and the total consideration of USD55,809,000 (equivalent to approximately RMB393,805,000) had been received, including USD608 (equivalent to approximately RMB4,000) recorded in share capital and USD55,808,000 (equivalent to approximately RMB393,801,000) in share premium respectively.
- (b) Pursuant to the resolution of the extraordinary general meeting of the shareholders of the Company on January 31, 2020, the authorised share capital of the Company of USD50,000, which originally consists of 500,000,000 ordinary shares of USD0.0001 par value each, was varied and reclassified by dividing the 500,000,000 shares as follows:
 - (i) 495,724,972 ordinary shares of USD0.0001 par value each, of which 111,791,968 shares are issued; and
 - (ii) 4,275,028 preferred shares (“**Series A Preferred Shares**”) re-designated and re-classified from ordinary shares at the par value of US\$0.0001 each on a one-for-one basis, which include 3,664,310 shares re-designated and re-classified from ordinary shares in issue and 610,718 shares re-designated and re-classified from authorised but unissued ordinary shares.

The re-designation of 3,664,310 existing ordinary shares were accounted for as repurchase of ordinary shares and issuance of convertible redeemable preferred shares to the respective shareholders, recorded as a debit to share capital of USD366 (equivalent to approximately RMB3,000 as rounded to the nearest thousand) to reflect the repurchase of ordinary shares. The difference between the par value and fair value of 3,664,310 ordinary shares was RMB499,658,000, recorded as a debit to share premium in the interim condensed consolidated statement of changes in equity for the six months ended June 30, 2020.

- (iii) On June 20, 2020, all of the 4,275,028 Series A Preferred Shares were converted into ordinary shares of the Company. The fair value of the Series A Preferred Shares before conversion were USD88,408,000 (equivalent to RMB626,925,000), of which an amount of USD428 (equivalent to approximately RMB3,000 as rounded to the nearest thousand) was recorded in share capital and the remaining amount of RMB626,922,000 was recorded in share premium in the interim condensed consolidated statement of changes in equity for the six months ended June 30, 2020.

13 TRADE PAYABLES

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Merchandise payables	<u>222,935</u>	<u>115,804</u>

The credit terms of merchandise payables granted by the suppliers are usually current to 180 days. At June 30, 2021 and December 31, 2020, the aging analysis of the merchandise payables based on invoice date were as follow:

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
Within 30 days	87,448	31,355
30 to 90 days	62,929	44,736
90 to 180 days	32,871	20,604
Over 180 days	<u>39,687</u>	<u>19,109</u>
	<u>222,935</u>	<u>115,804</u>

14 LICENSE FEES PAYABLES

	As at June 30, 2021 <i>RMB'000</i> (Unaudited)	As at December 31, 2020 <i>RMB'000</i> (Audited)
License fees payables	83,525	86,814
Less: non-current portion	<u>(24,694)</u>	<u>(27,934)</u>
Current portion	<u>58,831</u>	<u>58,880</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.

Movement in license fees payables during the period is analysed as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
As at January 1	86,814	16,495
Additions	78,921	106,100
Payment	(82,325)	(64,490)
Adjustment for exchange difference	115	726
	<hr/>	<hr/>
As at June 30	83,525	58,831
	<hr/> <hr/>	<hr/> <hr/>

Analysis of license fees payables:

	As at	As at
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
– 1-2 year	14,080	6,487
– 2-5 year	8,141	18,009
– More than 5 years	2,473	3,438
	<hr/>	<hr/>
Non-current	24,694	27,934
	<hr/> <hr/>	<hr/> <hr/>
Current	58,831	58,880
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15 CONTINGENCY

On August 28, 2020, Beijing Pop Mart received a court summons dated August 19, 2020 in relation to a claim brought by Golden Eagle International Retail Group (China) Co., Ltd. (“**Golden Eagle International**”) as a shareholder on behalf of Nanjing Golden Eagle Pop Mart Co., Ltd. (“**Nanjing Pop Mart**”) at the Jiangsu Nanjing Intermediate People’s Court against Beijing Pop Mart, alleging, among others, that Beijing Pop Mart had breached an investment cooperation agreement dated April 29, 2014 which was entered into among Golden Eagle International, Mr. Wang Ning and other then shareholders of Beijing Pop Mart. Pursuant to the claim, Golden Eagle International claimed that (i) Beijing Pop Mart should cease to operate the claimed stores in certain exclusive areas; and (ii) Beijing Pop Mart should return an amount of approximately RMB117.2 million to Nanjing Pop Mart, which represents the alleged gross profits obtained by Beijing Pop Mart for the year ended December 31, 2019 from operating the claimed stores in the exclusive areas.

On June 17, 2021, the first hearing of the above case was held, and the major proceedings were the collection and verification of further information provided by Golden Eagle International and the Group. The case will continue to be heard in subsequent sessions before a judgement is made by the court. Up to the date of approval of this interim condensed consolidated financial information, the above case is still in process.

No provision in relation to this claim has been recognised in the consolidated financial statements for the year ended December 31, 2020 or the interim condensed consolidated financial information for the six months ended June 30, 2021, as the Mainland China legal adviser of the Company advised that the claim brought by Golden Eagle International is groundless, the likelihood that the claim will be decided in favour of Golden Eagle International is very low, the risk exposure of the Group from the claim is minimal and the claim will not have a material adverse impact on the Group’s operations and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As a pioneer and key promoter of pop toy culture in China, our revenue amounted to RMB1,772.6 million, representing a year-on-year increase of 116.8%, while our adjusted net profit amounted to RMB435.2 million in the first half of 2021. We strategically focused on the further development of our pop toy business to consistently implement our long-term established strategy and development direction. We remained to regard artists development, IP operation, consumer access and pop toy culture promotion as our major business focus.

Artists Development and IP Operation

IP operation as well as creation and design are essential to our products, which is the key driver for the development of Pop Mart. We continuously enrich our types of IP and launch products of diversified styles to meet the demands of different customers.

Our top IPs continued to launch new products, and the performance of new series was still strong. In the first half of 2021, revenue generated from Molly and Dimoo amounted to RMB203.9 million and RMB205.0 million respectively, representing an increase of 81.9% and 74.5% as compared to the first half of 2020. New IPs recorded excellent performance. As of June 30, 2021, revenue from Hypepanda, the second series of SKULLPANDA launched in April 2021, amounted to RMB92.8 million. Revenue from Sweet Bean series, launched by our in-house design team PDC (Pop Design Center), exceeded RMB63.7 million in the first half of 2021.

We have been committed to promoting the development of pop toy market, and constantly experimenting with product innovation. During the period, we officially launched our high-end pop toy product line, namely the “MEGA Collection Series”. In June, the SPACE MOLLY X SpongeBob crossover model of MEGA collection was launched and immediately went viral in the market. In particular, the sale of 3,000 limited edition of 1000% (70CM) figure has attracted more than 1 million participants in the form of lottery purchases.

Consumer Access

– *Offline channels*

In the first half of 2021, we opened 32 new physical stores in Mainland China. The number of physical stores increased from 187 as of December 31, 2020 to 215¹ as of June 30, 2021. In the first half of 2021, we opened 126 roboshops in Mainland China. The number of roboshops increased from 1,351 as of December 31, 2020 to 1,477 as of June 30, 2021.

– *Online channels*

Pop Draw is a mini program independently invented and developed by us on WeChat platform, aiming to create fun and interesting shopping experience. In the first half of 2021, revenue amounted to RMB325.0 million, representing a year-on-year increase of 101.0%. The overall revenue generated from e-commerce channels (such as Tmall and JD.com) in the first half of 2021 was RMB353.3 million, representing a year-on-year increase of 104.7%. During the Tmall “June 18 Anniversary” Event, our total sales amounted to RMB61.4 million, representing an increase of 94% as compared to the same period of 2020, ranking first in Tmall pop toy industry.

– *Member operation*

By continuous channel expansion and IPs portfolio enhancement, through omni-channel member operation, the scale of user digitalization grew rapidly. As of June 30, 2021, the total number of registered members increased from 7.4 million as at December 31, 2020 to 11.4 million. Among which, there were 4.0 million new registered members. During the first half of 2021, the sales contributed by our members represents 91.8% of total sales, with repeat purchase rate of our member of 49%².

Pop Toy Culture Promotion

In July 2021, we jointly established the Peking University Business and Art Research Center with Guanghua School of Management of Peking University, aiming to cultivate leaders in the cultural and creative industries and promote the research and exchanges in pop culture and new consumption sector in China.

During the first half of 2021, we conducted 9 IP licensing exhibitions in shopping malls and 4 fan meetings respectively, thereby providing a theme site for fans to unleash their enthusiasm for IPs and enjoy immersive experience, and strengthening the connections between fans and IPs.

¹ In the first half of 2021, due to lease expiration and other commercial reasons, we closed 4 stores

² The proportion of members who made purchase for 2 times or more during the first half of 2021

In February 2021, we launched the first brand podcast to spread pop culture. Currently, we already had 16 programs with top toy designers, artists, people in the pop culture field and industry.

FINANCIAL REVIEW

Sales revenue

Revenue of the Company increased from RMB817.8 million for the first half of 2020 to RMB1,772.6 million for the first half of 2021, representing a year-on-year increase of 116.8%.

Revenue by channels

Revenue of the Company is generated from the following channels: 1. retail stores; 2. roboshops; 3. online channels; and 4. wholesale channels and others. The following table sets out the Company's revenue by channels for the first half of 2021 and the first half of 2020:

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Revenue (RMB'000)	Gross profit margin	Proportion of revenue	Revenue (RMB'000)	Gross profit margin	Proportion of revenue
Retail stores	675,286	62.6%	38.1%	313,296	61.1%	38.3%
Online channels	678,281	67.4%	38.3%	334,303	70.4%	40.9%
Roboshops	227,561	70.9%	12.8%	105,496	72.9%	12.9%
Wholesales and others	191,449	39.8%	10.8%	64,696	45.8%	7.9%
– Mainland China	146,880	40.0%	8.3%	43,019	45.9%	5.3%
– Outside Mainland China	44,569	39.2%	2.5%	21,677	45.8%	2.6%
Total	1,772,577	63.0%	100.0%	817,791	65.2%	100.0%

- **Retail stores.** Revenue from retail store sales increased by 115.5% year on year from RMB313.3 million for the first half of 2020 to RMB675.3 million for the first half of 2021, primarily due to the normal operations of all retail stores thanks to the effective control of the domestic epidemic in 2021, while in the first half of 2020, the severe epidemic had a greater impact on retail store sales; and as of June 30, 2021, there were a total of 215 retail stores, representing an increase of 79 from a total of 136 retail stores as of June 30, 2020.
- **Roboshops.** Revenue from roboshop sales increased by 115.7% year on year from RMB105.5 million for the first half of 2020 to RMB227.6 million for the first half of 2021, primarily due to the normal operations of all roboshops thanks to the effective control of the domestic epidemic in 2021, while in the first half of 2020, the severe epidemic had a larger impact on roboshop sales; and as of June 30, 2021, there were a total of 1,477 roboshops, representing an increase of 476 from a total of 1,001 roboshops as of June 30, 2020.

- **Online channels.** Revenue from online sales increased by 102.9% from RMB334.3 million for the first half of 2020 to RMB678.3 million for the first half of 2021. The table below sets forth a breakdown of revenue from online sales.

	For the six months ended June 30, 2021		For the six months ended June 30, 2020		Increase
	Revenue (RMB'000)	Proportion of revenue	Revenue (RMB'000)	Proportion of revenue	
Pop Draw	325,023	47.9%	161,718	48.4%	101.0%
Tmall flagship store	219,000	32.3%	146,840	43.9%	49.1%
JD.com flagship store	46,804	6.9%	8,068	2.4%	480.1%
Other e-commerce platforms	87,454	12.9%	17,677	5.3%	394.7%
Total	678,281	100.0%	334,303	100.0%	102.9%

Online revenue sources of Pop Mart include Tmall flagship store, Pop Draw, JD.com flagship store and other online channels. In particular, revenue from Pop Draw increased by 101.0% from RMB161.7 million for the first half of 2020 to RMB325.0 million for the first half of 2021; revenue from Tmall flagship store increased by 49.1% from RMB146.8 million for the first half of 2020 to RMB219.0 million for the first half of 2021; revenue from JD.com flagship store increased by 480.1% from RMB8.1 million for the first half of 2020 to RMB46.8 million for the first half of 2021. The increase in online channels was primarily due to the stronger brand influence, the increase in members, and the addition of other e-commerce channels.

- **Wholesales and others.** Wholesales and other revenue sources of the Company mainly include revenue from Mainland China and revenue from outside Mainland China. Revenue from wholesales and others increased by 195.9% from RMB64.7 million for the first half of 2020 to RMB191.5 million for the first half of 2021. In particular, revenue from wholesales and others in Mainland China increased by 241.4% from RMB43.0 million for the first half of 2020 to RMB146.9 million for the first half of 2021, primarily due to the increase in revenue generated from our distributor Nanjing Golden Eagle Pop Mart Trading Co., Ltd., which accounted for 54.8% of revenue from wholesales and others in Mainland China, and individual bulk purchases accounted for 24.4%; revenue from wholesales and others outside Mainland China increased by 105.6% from RMB21.7 million for the first half of 2020 to RMB44.6 million for the first half of 2021, primarily due to the expansion in overseas markets.

Revenue by IPs

Pop Mart propriety products are our major product type. In the first half of 2021, revenue from propriety products contributed 89.3% of our total revenue. Revenue from propriety products increased by 130.4% from RMB686.9 million for the first half of 2020 to RMB1,582.4 million for the first half of 2021.

Propriety products of Pop Mart are mainly divided into: propriety IPs, exclusive licensed IPs and non-exclusive licensed IPs, and below sets forth a breakdown of revenue by IPs.

	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Revenue (RMB'000)	Proportion of revenue	Revenue (RMB'000)	Proportion of revenue
Propriety products	1,582,391	89.3%	686,915	84.1%
Propriety IPs	900,409	50.9%	280,790	34.4%
– Molly	203,900	11.5%	112,064	13.7%
– Dimoo	204,993	11.6%	117,466	14.4%
– SKULLPANDA	183,042	10.3%	–	–
– Bunny	101,913	5.8%	1,092	0.1%
– Other propriety IPs	206,561	11.7%	50,168	6.2%
Exclusive licensed IPs	394,316	22.2%	272,879	33.4%
– The Monsters	145,789	8.2%	70,052	8.6%
– PUCKY	107,097	6.1%	119,134	14.6%
– YOKI	25,340	1.4%	–	–
– Other exclusive licensed IPs	116,090	6.5%	83,693	10.2%
Non-exclusive licensed IPs	287,666	16.2%	133,246	16.3%
Overseas procurement and consignment	177,210	10.0%	130,876	15.9%
Others	12,976	0.7%	–	–
Total	1,772,577	100.0%	817,791	100.0%

- **Propriety IPs.** Propriety IPs are the major product type of the Company, which mainly include Molly, Dimoo, SKULLPANDA and Bunny. Revenue from propriety IPs increased by 220.7% from RMB280.8 million for the first half of 2020 to RMB900.4 million for the first half of 2021, primarily due to the relatively high revenue contribution from sales of Molly and Dimoo, which amounted to RMB203.9 million and RMB205.0 million, respectively, and the revenue contribution from sales of new IP SKULLPANDA.
- **Exclusive licensed IPs.** Revenue from exclusive licensed IPs increased by 44.5% from RMB272.9 million for the first half of 2020 to RMB394.3 million for the first half of 2021, primarily due to the revenue contribution from sales of The Monsters.
- **Non-exclusive licensed IPs.** Revenue from non-exclusive licensed IPs increased by 115.9% from RMB133.2 million for the first half of 2020 to RMB287.7 million for the first half of 2021, primarily due to the sales of new series of products and the increase in IPs.

Revenue by geographic regions

The Company's revenue by geographic regions is mainly from offline channels, which mainly include retail stores and roboshops.

- **Retail stores.** The table below sets forth revenue from retail stores by geographic regions for the first half of 2021 and the first half of 2020:

City tier	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Number of retail stores	Revenue from retail stores (RMB'000)	Number of retail stores	Revenue from retail stores (RMB'000)
First-tier cities ³	91	323,831	63	165,964
New first-tier cities ⁴	64	197,930	40	88,910
Second-tier and other cities ⁵	60	153,525	33	58,422
Total	215	675,286	136	313,296

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

⁴ Refer to 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 Refer to cities other than first-tier cities and new first-tier cities in Mainland China

- **Roboshops.** The table below sets forth the Company’s revenue from roboshops by geographic regions for the first half of 2021 and the first half of 2020:

City tier	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Number of roboshops	Revenue from roboshops (RMB’000)	Number of roboshops	Revenue from roboshops (RMB’000)
First-tier cities	473	72,389	354	41,474
New first-tier cities	483	74,093	347	33,419
Second-tier and other cities	521	81,079	300	30,603
Total	1,477	227,561	1,001	105,496

Costs of sales

Our costs of sales increased by 130.5% from RMB284.4 million for the first half of 2020 to RMB655.5 million for the first half of 2021. The increase was primarily due to (1) the increase in costs of goods from RMB228.3 million for the first half of 2020 to RMB518.9 million for the first half of 2021, which was mainly due to the increase in sales and the corresponding increase in cost of goods; and (2) design and license fees increased from RMB26.5 million for the first half of 2020 to RMB64.0 million for the first half of 2021, which was mainly due to the increase in revenue generated from our propriety products and the increasing proportion of such revenue.

Gross profit

The Company’s gross profit increased by 109.4% from RMB533.4 million for the first half of 2020 to RMB1,117.1 million for the first half of 2021, primarily due to the increase in revenue. Our gross profit margin dropped from 65.2% for the first half of 2020 to 63.0% for the first half of 2021, primarily due to the decline in gross profit margin of our Pop Mart propriety products.

Gross profit from our Pop Mart propriety products increased by 116.8% from RMB488.2 million for the first half of 2020 to RMB1,058.2 million for the first half of 2021, primarily due to the increase in revenue from Pop Mart propriety products. Gross profit margin of Pop Mart propriety products dropped from 71.1% for the first half of 2020 to 66.9% for the first half of 2021, primarily due to the increasingly refined design and complex product production as we enhance the quality of our products, as well as the rise in raw material costs and labor costs for the supply chain for the first half of 2021.

Gross profit generated from external procurement and other products increased by 30.3% from RMB45.2 million for the first half of 2020 to RMB58.9 million for the first half of 2021, Gross profit margin of external product procurement dropped from 34.6% for the first half of 2020 to 31.0% for the first half of 2021, primarily due to the slight increase in cost of product procurement as a result of the optimization of product structure.

Distribution and selling expenses

Our distribution and selling expenses increased by 88.3% from RMB223.0 million for the first half of 2020 to RMB419.8 million for the first half of 2021. Among which, (1) employee benefit expenses; (2) depreciation of right-of-use assets; and (3) advertising and marketing expenses accounted for higher proportions.

- **Employee benefit expenses.** Employee benefit expenses increased by 172.9% from RMB39.8 million for the first half of 2020 to RMB108.6 million for the first half of 2021, mainly due to (1) the increase in number of sales personnel from 1,071 for the first half of 2020 to 1,909 for the first half of 2021 for supporting the expansion of our retail stores and roboshop network; and (2) share-based payment for share incentive scheme of RMB10.7 million in aggregate.
- **Depreciation of right-of-use assets.** Depreciation of right-of-use assets increased by 66.7% from RMB45.6 million for the first half of 2020 to RMB76.0 million for the first half of 2021, mainly due to the increase in number of retail stores from 136 for the first half of 2020 to 215 for the first half of 2021 for supporting our business expansion and fulfillment of the demands for our product display.
- **Advertising and marketing expenses.** Advertising and marketing expenses increased by 86.8% from RMB30.4 million for the first half of 2020 to RMB56.8 million for the first half of 2021, mainly due to the increase in online revenue as well as the promotion of online channels.

General and administrative expenses

Our general and administrative expenses increased by 91.1% from RMB125.4 million for the first half of 2020 to RMB239.7 million for the first half of 2021. Among which, employee benefit expenses accounted for higher proportions.

- **Employee benefit expenses.** Employee benefit expenses increased by 204.1% from RMB55.9 million for the first half of 2020 to RMB170.0 million for the first half of 2021, mainly due to (1) the increase in number of our administrative and design development personnel from 617 for the first half of 2020 to 1,211 for the first half of 2021 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 RMB65.7 million in aggregate.

(Provision for)/reversal of impairment losses of financial assets, net

Our net impairment losses on financial assets changed from reversal of impairment losses of financial assets of RMB1.0 million for the first half of 2020 to impairment losses of financial assets of RMB3.3 million for the first half of 2021, primarily due to our business expansion and growth in sales, resulting in corresponding increase in balance of trade receivables.

Other income

Other income of the Company decreased by 18.9% from RMB31.4 million for the first half of 2020 to RMB25.4 million for the first half of 2021, primarily due to the decrease in government grants from RMB23.1 million for the first half of 2020 to RMB6.7 million for the first half of 2021; and the increase in IP license fee income of RMB9.5 million from cooperation projects with fresh, Kiehl's, Haagen-Dazs and other brands.

Other gains/(losses) – net

We recorded other losses, net of RMB9.0 million for the first half of 2020, and other gains, net of RMB6.9 million for the first half of 2021, primarily due to income from wealth management products and structured deposit interest of RMB12.8 million, and the donation of RMB3.0 million to the Peking University Education Foundation.

Operating profit

In the light of the above, the Company's operating profit increased by 133.6% from RMB208.4 million for the first half of 2020 to RMB486.7 million for the first half of 2021.

Share of profit/loss of investments accounted for using equity method

Our share of loss of investments accounted for using equity method increased by 468.0% from RMB1.1 million for the first half of 2020 to investment gains of RMB4.1 million for the first half of 2021, primarily due to the stable development of the results of Nanjing Golden Eagle Pop Mart Co., Ltd. (“**Nanjing Golden Eagle Pop Mart**”).

Finance income/(expenses) – net

Our finance expenses, net, changed from net gains of RMB3.9 million for the first half of 2020 to net losses of RMB5.7 million for the first half of 2021, primarily due to the corresponding increase in lease liabilities as a result of the increase in retail stores.

Income tax expense

Our income tax expense increased from RMB55.6 million for the first half of 2020 to RMB137.8 million for the first half of 2021 as a result of the increase in profit before income tax. Our effective tax rate declined from 28.2% for the first half of 2020 to 27.7% for the first half of 2021.

Profit for the period

As a result of the above, our profit for the period increased from RMB141.3 million for the first half of 2020 to RMB358.8 million for the first half of 2021.

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 listing expenses, share-based payment, expenses in relation to the re-designation of ordinary shares as preference shares and changes in fair values of convertible redeemable preference shares, 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 years.

	For the six months ended June 30, 2021 (RMB'000)	For the six months ended June 30, 2020 (RMB'000)
Profit for the period	358,798	141,284
Adjustments:		
Listing expenses	–	13,637
Share-based payment	76,391	–
Expenses in relation to the re-designation of ordinary shares as preference shares	–	16,910
Changes in fair value of convertible redeemable preference shares	–	6,436
	<hr/>	<hr/>
Non-IFRS adjusted net profit	435,189	178,267
	<hr/>	<hr/>
Non-IFRS adjusted net profit margin	24.6%	21.8%
	<hr/> <hr/>	<hr/> <hr/>

The management is of the view that listing expenses, expenses in relation to the re-designation of ordinary shares as preference shares and changes in fair value of convertible redeemable preference shares are one-off in nature that are related to procedures prior to listing and the initial public offering, which will not be incurred after listing. In addition, share-based payment expenses, expenses in relation to the re-designation of ordinary shares as preferred shares and changes in fair value of convertible redeemable preference shares 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 June 30, 2021, 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 decreased from RMB5,590.6 million as of December 31, 2020 to RMB5,591.8 million as of June 30, 2021, 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 RMB78.3 million as of December 31, 2020 to RMB135.4 million as of June 30, 2021. The increase was primarily due to the increase in trade receivables for bulk purchases of RMB32.8 million and the increase in third-party (including shopping malls, wholesale customers and e-commerce platforms) payment. Trade receivables turnover days increased from 9 days in 2020 to 11 days as of June 30, 2021.

Other receivables

Other receivables mainly represent deposits paid to shopping malls in respect of our retail stores and roboshops. Other receivables increased from RMB90.8 million as of December 31, 2020 to RMB117.5 million as of June 30, 2021, mainly due to the increase in deposits, which was in line with the expansion in our retail store and roboshop network.

Inventories

Our inventories comprise finished goods. Our inventories increased from RMB225.4 million as of December 31, 2020 to RMB316.0 million as of June 30, 2021. The increase was primarily due to the increase in product inventories to meet with the increasing product demands. Inventory turnover days decreased from 78 days in 2020 to 74 days as of June 30, 2021, which was stable.

Prepayments and other current assets

Prepayments and other current assets primarily comprise prepayments for inventories, prepayments for design fees, prepayments for investment, prepayments for property, plant and equipment, and others. Our prepayments and other current assets increased from RMB184.1 million as of December 31, 2020 to RMB357.0 million as of June 30, 2021, primarily due to (1) the increase in prepayments for merchandise to suppliers of RMB83.8 million; and (2) the increase in prepaid investment of RMB29.6 million.

Cash and cash equivalents

Our cash and cash equivalents primarily comprise cash at bank. Cash and cash equivalents decreased from RMB5,680.2 million as of December 31, 2020 to RMB1,503.6 million as of June 30, 2021, primarily due to the cash deposits in banks as time deposits.

Trade payables

Trade payables primarily represent our obligation to pay for merchandise from suppliers in the ordinary course of business. Trade payables increased from RMB115.8 million as of December 31, 2020 to RMB222.9 million as of June 30, 2021, 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. Our trade payable turnover days increased from 40 days in 2020 to 59 days as of June 30, 2021, primarily due to the extension of average cash payment period by suppliers as a result of our strengthened bargaining power over suppliers with the longer time of cooperation and our increased procurement amount.

Other payables and accruals

Our other payables and accruals consist mainly of (1) dividend payables, (2) wages, salaries and other employee benefits, (3) accrual expenses, (4) payables for property, plant and equipment and intangible assets, (5) other tax payables, (6) payables for short-term and variable rental expenses, and (7) others. Our other payables and accruals increased from RMB202.3 million as of December 31, 2020 to RMB399.3 million as of June 30, 2021, primarily due to the increase in dividend payables of RMB182.3 million as a result of the annual general meeting held on June 1, 2021 which resolved, by poll, the declaration of the final dividend at RMB14.94 cents per ordinary share of the Company for the year ended December 31, 2020.

Property, plant and equipment

Our property, plant and equipment consist mainly of (1) roboshops, (2) moulds, (3) equipment and others and (4) leasehold improvement. Our property, plant and equipment increased from RMB238.3 million as of December 31, 2020 to RMB270.2 million as of June 30, 2021, primarily due to the increase in leasehold improvement of RMB25.6 million.

Intangible assets

Our intangible assets consist mainly of (1) licensed IPs, (2) intellectual property rights, including our propriety IPs and (3) software. Our intangible assets decreased from RMB92.7 million as of December 31, 2020 to RMB90.2 million as of June 30, 2021, primarily due to the decrease in total assets as a result of the normal depreciation of intangible assets.

Right-of-use assets

Our right-of-use assets comprise the initial measurement of the corresponding lease liability in relation to our retail stores and roboshops, lease payments made at or before the commencement date and any initial direct costs. Our right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term. Our right-of-use assets increased from RMB287.8 million as of December 31, 2020 to RMB380.2 million as of June 30, 2021, due to the expansion in our retail store and roboshop network.

Bank borrowings

The Group did not have any bank borrowings as of June 30, 2021.

Pledge of Assets

The Group did not have any pledged assets as of June 30, 2021.

Gearing Ratio

The gearing ratio is calculated by dividing total liabilities by total assets and then multiplying by 100%. As at June 30, 2021, gearing ratio of the Group was 17.4% as compared with the gearing ratio of 12.1% as at December 31, 2020.

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 contingency 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.

On August 28, 2020, we received a court summons dated August 19, 2020 in relation to a claim brought by Golden Eagle International Retail Group (China) Co., Ltd. (金鷹國際商貿集團(中國)有限公司) as a shareholder on behalf of Nanjing Golden Eagle Pop Mart at the Jiangsu Nanjing Intermediate People's Court (江蘇省南京市中級人民法院) against Beijing Pop Mart Culture & Creative Co., Ltd. On June 17, 2021, the first hearing of the above case was held, and the major proceedings were the collection and verification of further information provided by Golden Eagle International and the Group. The case will continue to be heard in subsequent sessions to assist the court in finding out the facts. Up to the date of approval of this interim condensed consolidated financial information, the above case is still in process. As advised by our PRC legal adviser, the claim brought by Golden Eagle International is groundless, and the likelihood that the claim will be decided in favor of Golden Eagle International is very low. The risk exposure of the Company from the claim is minimal and the claim will not have a material adverse impact on our operations and financial performance. Hence, no provision in relation to this claim has been recognized in the consolidated financial statements.

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 June 30, 2021, 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 expenditure in the first half of 2020 and the first half of 2021:

	For the six months ended June 30, 2021 (RMB'000)	For the six months ended June 30, 2020 (RMB'000)
Purchases of property, plant and equipment	114,350	56,700
Purchase of intangible assets	12,460	16,827
Total	<u>126,810</u>	<u>73,527</u>

Human Resources

As of June 30, 2021, we had a total of 3,120 employees, including 1,909 sales personnel and 1,211 administrative and development personnel. For the six months ended June 30, 2021, we incurred staff costs (including remuneration, payrolls, allowances and benefits) of RMB278.6 million in total. Among which, as of June 30, 2021, a total of 4,560,006 shares were granted to employees of the Company, with share incentives amounted to RMB76.4 million in aggregate.

Future Plans on Significant Investments

As of June 30, 2021, 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 six months ended June 30, 2021, 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 increasing our brand value, 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, operate IPs continuously, strengthen IPs mentality, and deepen the emotional connection between fans and IPs. In addition, we will increase types of pop toys, further explore the development of box products such as MEGA, side products and BJD, and improve relevant technologies and production and sales procedures.

We will strive 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 customized, better services.

We will strive to increase our 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 partners and artists to explore more business models, IPs and product types that meet the needs of local market.

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.

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 December 11, 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 December 1, 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 utilized up to June 30, 2021	Balance of Net Proceeds unutilized as at June, 30 2021	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\$296.4 million	HK\$1,438.1 million	Before December 31, 2024
(a) for opening new retail stores	HK\$954.0 million	16.5%	HK\$247.5 million	HK\$706.5 million	
(b) for opening new roboshops	HK\$346.9 million	6.0%	HK\$41.3 million	HK\$305.6 million	
(c) for expanding our business into overseas markets	HK\$433.6 million	7.5%	HK\$7.6 million	HK\$426.0 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\$64.7 million	HK\$1,496.4 million	Before December 31, 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\$56.7 million	HK\$810.5 million	

Intended use of Net Proceeds	Allocation of Net Proceeds	Percentage of total Net proceeds	Amount of Net Proceeds utilized up to June 30, 2021	Balance of Net Proceeds unutilized as at June, 30 2021	Intended timetable for use of the unutilized Net Proceeds
(a) for talent recruitment	HK\$173.5 million	3.0%	HK\$7.8 million	HK\$165.7 million	Before December 31, 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\$14.3 million	HK\$332.6 million	Before December 31, 2024
(c) for optimizing our online marketing efforts, which primarily consist of strategically placed advertisement, icons, links and news feeds on third party promotional platforms	HK\$346.8 million	6.0%	HK\$34.5 million	HK\$312.3 million	Before December 31, 2024
(iv) To expand our IP pool	HK\$1,040.7 million	18.0%	HK\$36.7 million	HK\$1,004.0 million	
(a) for enhancing our ability to identify outstanding artists	HK\$260.3 million	4.5%	HK\$26.0 million	HK\$234.3 million	Before December 31, 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\$10.7 million	HK\$75.9 million	Before December 31, 2023
(c) for acquisitions of popular IPs from to expand our IP pool	HK\$693.8 million	12.0%	–	HK\$693.9 million	Before December 31, 2024
(v) Working capital and general corporate purposes	HK\$578.2 million	10.0%	HK\$578.2 million	–	Before December 31, 2023

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 June 30, 2021.

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 June 30, 2021, except for deviation from code provision A.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

Chairman and Chief Executive Officer

Code provision A.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 the 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 June 30, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2021, 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 June 30, 2021.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended June 30, 2021 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, PricewaterhouseCoopers confirmed that 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 2021 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 2021 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, August 27, 2021

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.