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

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

FINAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2017

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Percentage increase
	2017	2016	**(decrease)**
Revenue *(RMB'000)*	**18,833,313**	16,236,384	**16.0%**
Operating profit *(RMB'000)*	**770,392**	924,156	**(16.6)%**
Profit attributable to owners of the Company *(RMB'000)*	**394,322**	560,579	**(29.7)%**
Basic earnings per share *(RMB cents)*	**7.57**	10.72	**(29.4)%**
Dividend per share			
Interim dividend *(HK$)*	**–**	0.02	**(100)%**
Final dividend (proposed) *(HK$)*	**0.02**	0.02	**–**

RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended December 31, 2017 with comparative figures for the corresponding year in 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	3	**18,833,313**	16,236,384
Cost of sales		**(12,239,725)**	(10,467,944)
Gross profit		**6,593,588**	5,768,440
Other operating income and gains (losses)		**228,026**	228,178
Selling and distribution expenses		**(5,326,027)**	(4,415,748)
Administrative expenses		**(725,195)**	(656,714)
Operating profit		**770,392**	924,156
Finance costs		**(106,908)**	(61,881)
Finance income		**6,386**	11,367
Finance costs - net		**(100,522)**	(50,514)
Share of results of an associate		**–**	(7,225)
Share of results of joint ventures		**(3,583)**	(4,691)
Other gains (losses)	4	**(9,068)**	(29,803)
Profit before taxation		**657,219**	831,923
Income tax expense	5	**(242,187)**	(262,312)
Profit for the year	6	**415,032**	569,611
Attributable to:			
Owners of the Company		**394,322**	560,579
Non-controlling interests		**20,710**	9,032
		415,032	569,611
Earnings per share	8		
– Basic		**RMB7.57 cents**	RMB10.72 cents
– Diluted		**RMB7.50 cents**	RMB10.61 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**415,032**	569,611
Other comprehensive income (expense)		
An item that will not be reclassified subsequently to profit or loss		
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	**6,381**	–
An item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(1,238)**	7,551
Other comprehensive income for the year	**5,143**	7,551
Total comprehensive income for the year	**420,175**	577,162
Attributable to:		
Owners of the Company	**399,438**	565,969
Non-controlling interests	**20,737**	11,193
	420,175	577,162

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment properties		**94,700**	–
Property, plant and equipment		**1,054,005**	902,732
Deposits paid for acquisition of property, plant and equipment		**51,181**	55,224
Prepaid lease payments		**112,571**	143,621
Rental deposits and prepayments		**154,865**	127,335
Intangible assets		**502,435**	614,678
Goodwill		**532,612**	532,450
Interests in joint ventures		**39,003**	51,791
Loans to joint ventures		**3,000**	17,500
Available-for-sale investment		**2,190**	2,156
		2,546,562	2,447,487
Current assets			
Inventories		**5,589,344**	4,400,649
Trade and other receivables	9	**2,844,993**	2,412,346
Taxation recoverable		**2,207**	1,526
Bank balances and cash		**487,004**	482,635
		8,923,548	7,297,156
Assets classified as held for sale		**–**	299,133
		8,923,548	7,596,289

	Note	2017 RMB'000	2016 RMB'000
Current liabilities			
Trade and other payables	10	**2,104,417**	2,006,378
Taxation payable		**137,746**	64,664
Bank borrowings		**2,532,169**	1,375,826
Consideration payable for acquisition of a business		**–**	60,439
Bank overdrafts		**109,617**	–
		4,883,949	3,507,307
Liabilities associated with assets classified as held for sale		**–**	230,309
		4,883,949	3,737,616
Net current assets		**4,039,599**	3,858,673
Total assets less current liabilities		**6,586,161**	6,306,160
Non-current liability			
Deferred tax liabilities		**144,632**	172,649
Net assets		**6,441,529**	6,133,511
Capital and reserves			
Share capital		**46,530**	46,523
Reserves		**6,344,162**	6,057,008
Equity attributable to owners of the Company		**6,390,692**	6,103,531
Non-controlling interests		**50,837**	29,980
Total equity		**6,441,529**	6,133,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales. Information is reported on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of resource allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

Revenue from major business products

The following is an analysis of the Group's revenue from its major business products:

	2017	2016
	RMB'000	*RMB'000*
Sales of sportswear and footwear products	**18,717,318**	16,131,960
Commissions from concessionaire sales	**115,995**	104,424
	18,833,313	16,236,384

4. OTHER GAINS (LOSSES) ARISING OTHER THAN OPERATING ACTIVITIES

	2017	2016
	RMB'000	*RMB'000*
Impairment losses on loans to joint ventures	**–**	(30,000)
Impairment loss on goodwill	**–**	(14,047)
Impairment losses on property, plant and equipment	**–**	(2,512)
Impairment losses on rental deposits and prepayments	**–**	(9,928)
Gain on disposal of an associate	**–**	10,048
Loss on disposal of a joint venture	**(5,105)**	–
Loss on disposal of subsidiaries	**(4,363)**	–
Impairment loss recognised on interest in a joint venture	**–**	(579)
Fair value changes on investment properties	**400**	–
Fair value gain on consideration payable for acquisition of a business	**–**	17,215
	(9,068)	(29,803)

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Taxation attributable to the Company and its subsidiaries:		
Current year:		
Hong Kong Profits Tax *(note i)*	**–**	–
People's Republic of China ("PRC") Enterprise Income Tax ("EIT") *(note ii)*	**272,701**	235,309
Overseas income tax *(note iii)*	**–**	752
	272,701	236,061
(Over) underprovision in prior years:		
Hong Kong Profits Tax	**–**	4
PRC EIT	**(2,484)**	36,551
Overseas income tax	**–**	(15)
	(2,484)	36,540
Current tax charge – total	**270,217**	272,601
Deferred tax credit	**(28,030)**	(10,289)
	242,187	262,312

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the relevant subsidiaries had no assessable profit for both years.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC, except as follows:

Pursuant to 《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》 (Caishui [2011] No. 58) and the Bulletin of the State Administration of Taxation [2012] No.12 issued in 2011 and 2012, during the period from January 1, 2011 to December 31, 2020, any enterprise that is located in the Western Regions of PRC and engaged in the business activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the annual revenue accounts for more than 70% of its total revenue for the financial year, is entitled to pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company which are located in the specified provinces of Western Regions of the PRC and engaged in the business activities under the New Catalogue. The Directors consider that the relevant subsidiaries are eligible for the preferential tax rate of 15% in both years.

(iii) Overseas

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments	**2,046**	3,927
Retirement benefit scheme contributions, excluding directors and the chief executive	**260,445**	197,093
Equity-settled share-based payments, excluding directors and the chief executive	**12,057**	6,677
Other staff costs	**1,827,536**	1,499,285
Total staff costs	**2,102,084**	1,706,982
Auditor's remuneration	**3,677**	4,871
Depreciation of property, plant and equipment	**316,630**	207,280
Allowance (reversal of allowance) for inventories, net	**88,203**	(1,972)
Release of prepaid lease payments	**3,971**	4,081
Amortisation of intangible assets (included in selling and distribution expenses)	**112,317**	43,049
Research and development expenditure recognised as an expense	**797**	360
Share of taxation of joint ventures (included in share of results of joint ventures)	**33**	(28)

For the years ended December 31, 2016 and 2017, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

7. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016 Final dividend of HK$0.02 per share (2016: 2016 Interim dividend of HK$0.02 per share)	**92,667**	90,069

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2017 of HK$0.02 per share (2016: HK$0.02 per share) has been proposed by the Directors and will be paid to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Monday, June 11, 2018.

The proposed final dividend is subject to approval by the Shareholders at the forthcoming 2018 annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Earnings:		
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**394,322**	560,579

	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,209,876,859**	5,231,652,944
Effect of dilutive potential ordinary shares:		
– Share options	**4,715,854**	16,380,940
– Unvested awarded shares	**41,694,148**	33,690,061
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,256,286,861**	5,281,723,945

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company.

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,609,167**	1,292,686
Deposits, prepayments and other receivables	**1,235,826**	1,119,660
	2,844,993	2,412,346

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

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	**1,417,271**	1,028,966
31 to 90 days	**181,900**	207,358
Over 90 days	**9,996**	56,362
	1,609,167	1,292,686

10. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**548,365**	286,463
Bills payables	**14,479**	203,637
Receipt in advance from customers	**592,873**	457,015
Amounts due to related and connected parties	**6,611**	295,900
Accrued staff costs	**289,480**	265,719
Sales discount and rebate payables	**33,648**	16,538
Other tax payables	**111,877**	66,967
Deposit received for sale of assets classified as held for sale	**–**	5,500
Other accruals and payables	**507,084**	408,639
	2,104,417	2,006,378

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

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	**558,534**	445,442
31 to 90 days	**976**	6,148
Over 90 days	**3,334**	38,510
	562,844	490,100

The average credit period for payment of purchases of goods is ranging from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business model and environment

"Make sports your life!" is the vision of the Company.

From being one of the top tier sportswear distributors in China by the establishment of an intensive brick-and-mortar store network with quality sporting products, to striving to become the number one sports services provider and sportswear retailer in the Greater China region, the Company defines its mission as "Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.".

To efficiently implement the mission under the vision of the Company, the management of the Company started, from 2017, to strengthen the contacts with consumers from what was generally a single transaction taking a couple of minutes, to an aggressive initiative of 365-day communications. The new initiative is being done by organising a full year sports services calendar connected with the sports events organised by the Company, sponsored by sports brand owners, licensed by sports event companies as well as cooperated with local governments in the Greater China region. The 365-day communications with consumers are done both online and offline with quality services and products relating to specific sports events in the full year sports services calendar. The objective of the Company is to be the most valuable partner to sports brand owners by connecting them with end consumers with quality services and products, and enabling their precision marketing to be more effective and efficient both online and offline.

Digitising the daily management of the current retailing business and shortening the sales cycle by efficiently integrating online and offline channels with potential partners are top priorities of the Company's agenda in 2018. Whilst we are growing our business by opening more and more brick-and-mortar stores, we need to ensure the quality of the newly opened stores and apportion part of the growth to be derived from new and promising online channels via competent business partners.

With the benefit of effective communications with consumers and creative integrations of online and offline channels, the Company is aiming to be not only a tier one sportswear distributor in the Greater China region, but also an efficient and effective sports services provider providing quality sports services to consumers as well as an effective and efficient network for the introduction of a wide variety of sports and leisure brands into the region.

As at December 31, 2017, the Group's nationwide retail network consisted of 5,465 directly-operated stores and 3,313 sub-distributor stores.

The Group's operating environment was supported by growing interest in sports participation and healthy lifestyle among Chinese consumers, which was in turn supported by the government policies designed to develop the domestic sporting industry, such as the 'Fitness-for-All' program that was highlighted in the 19th CPC National Congress policy report.

In the meantime, this heightened demand has kept the sportswear retailing environment in China highly competitive. E-commerce sales in the sector are rising quickly alongside the shift to online shopping. Despite this, traditional offline retail channels remain important, as consumers still seek unique shopping experiences for products and services. To better cope with the ever-changing consumer habits, continuous investment is required to develop and upgrade existing store formats and digital channels, which will help to reinforce consumer experiences and stimulate higher-margin sales.

With the vision and mission defined, and the ongoing projects implemented, there are great opportunities. The Company will be able to upgrade itself from a distributor of sports brand owners, to a quality sports services and products provider to both end consumers and sports brand owners. There are numerous competitors with different approaches and initiatives in the market eyeing the same end consumers and sports market. Hence, there will be enormous threats if the Company is unable to deliver what are planned for end consumers and sports brand owners in a timely manner. Only with determination and quality execution, can the Company prevail. It is believed that the Company will successfully manage the costs and time to implement what are planned under fierce market competition.

Analysis of Performance

Financial Review

For the financial year, the Group recorded revenue of RMB18,833.3 million, representing an increase of 16.0% compared with the 2016 financial year. Gross profit was RMB6,593.6 million, an increase of 14.3% compared with last year. The Group's operating profit was RMB770.4 million, which was a decline compared with the operating profit of RMB924.2 million reported during the 2016 financial year. Profit attributable to owners of the Company for the year was RMB394.3 million, an decrease of 29.7% compared with the profit attributable to owners of RMB560.6 million recorded last year.

Revenue

Total revenue for the Group grew 16.0% to RMB18,833.3 million for the year ended December 31, 2017, as compared with RMB16,236.4 million reported last year. This growth was attributable to higher overall store sales and higher contributions from newly opened stores.

Gross Profit

Gross profit for the Group amounted to RMB6,593.6 million, an increase comparing to the comparable figure achieved during the last financial year. The gross profit margin was slightly lower than comparable figure achieved in the last financial year. The decline in gross profit margin was primarily due to increased discounting and allowances on the aging inventory of emerging brands.

Selling & Distribution Expenses and Administrative Expenses

The selling and distribution expenses and administrative expenses of the Group were in aggregate RMB6,051.2 million, representing 32.1% of total revenue and an increase of 19.3%, compared with the last financial year. To align with the growth strategies of the Group's brand owners in China, the management team continued to invest in concept stores and store upgrades, optimising distribution and digital channels, as well as motivating the sales team. These activities led to a corresponding increase in staff costs, rental expenses and concession fees.

Operating Profit

The Group's operating profit for the financial year was RMB770.4 million, while the operating profit margin was 4.1%. This compared with the operating profit of RMB924.2 million, or 5.7% in the 2016 financial year.

Other Gains (Losses) arising other than Operating Activities

The Group incurred various gains (losses) from a variety of situations, amounting to a net loss of RMB9.1 million in the financial year. Amongst others, there were a loss on disposal of subsidiaries and a joint venture, and a fair value gain on investment properties during the financial year.

Profit for the Year

Due to the aforementioned reasons, the Group recorded a net profit of RMB415.0 million for the year, a decrease over the net profit of RMB569.6 million recorded from the last financial year.

Working Capital Efficiency

The average inventory turnover period for the year was 149 days (2016: 145 days). The increase in the inventory turnover period was mainly due to the underperformance of emerging brands. The Group continues to diligently manage inventory levels to optimise the required working capital. The average trade receivables turnover period was 28 days (2016: 28 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period was 16 days (2016: 22 days).

Liquidity and Financial Resources

As at December 31, 2017, the Group had cash and cash equivalents of RMB377.4 million (2016: RMB482.6 million) and working capital (current assets minus current liabilities) of RMB4,039.6 million (2016: RMB3,858.7 million). Total bank borrowings were RMB2,532.2 million (2016: RMB1,375.8 million) and are repayable within one year. Bank borrowings were mainly denominated in Renminbi and so were cash and cash equivalents.

The Group's gearing ratio for 2017 represented by total interest bearing loans (including the amount due to a connected party) as a percentage of total equity was 41% (2016: 27%).

During the year, net cash used in operating activities was RMB199.7 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was RMB581.7 million, of which RMB523.7 million was used for the purchase of property, plants and equipment. Net cash generated from financing activities was RMB669.4 million. During the year, the Group raised and repaid bank borrowings of RMB4,916.1 million and RMB3,759.8 million respectively.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for upgrading existing store formats, expanding mega stores and injecting resources into its online sports services platform. For the 2017 financial year, the total capital expenditure was RMB576.4 million (2016: RMB517.6 million). As at December 31, 2017, the Group had no material capital commitments and contingent liabilities.

Foreign Exchange

The Group conducted its business primarily in the Greater China region, and the majority of its transactions are denominated in RMB. As at December 31, 2017, the Group had no significant hedging instruments for managing foreign exchange exposures. As the exchange rate of RMB against foreign currencies may fluctuate, the Group may enter into forward contracts, currency swaps or options to hedge against currency risks arising from foreign currency transactions when necessary.

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

HUMAN RESOURCES

As at December 31, 2017, the Group had approximately 30,500 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers awarded shares and/or share options to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs for employees based on their respective personal career development.

PROSPECTS AND FUTURE DEVELOPMENTS

The Group's management is optimistic about the long-term growth prospect for sportswear retailing, given increasing health awareness, higher sports participation rate and the growth of 'athleisure' trend in the Greater China region. The Group's omni-channel distribution strategy will continue to benefit from the favorable environment being fostered by official government support for the popularisation of sport as China's economy is shifting away from over-dependence on investment and exports towards more sustainable growth based on higher domestic consumption, including spending on sport and cultural activities.

The execution of strategic marketing initiatives of various sports events organised by the Company, licensed by sports event companies, cooperated with local governments and global brands partners in the Greater China region will remain one of the Group's core development strategies. This includes but is not limited to:

- "Go Wild" trail run tournament
- "Dou Dao Di" 3 on 3 basketball tournament
- HOOD to COAST marathon relay
- Kunshan Marathon, a cross Strait focused annual marathon event
- Baseball training camp coached by Taiwan baseball superstar players
- Running, basketball, baseball, rock climbing etc. training programs

The Group will also further synchronize traditional and experiential retail experiences, improve operational management, utilize big data to analyse and respond to consumer purchasing behavior, and roll-out new concept stores that combine the sales of goods with professional sports training and after-sales training services. With the efforts to attract consumers coming to offline store with a purpose, the Group now has further flexibility in planning new concept store openings in suburbs, rather than in prime locations.

The Group will further develop its digital platform to better support inventory management and allocate more resources to improve working capital efficiency. It will continue to optimise its omni-channel sales and distribution network, as well as its operational systems, to support the execution of sporting services and events across the Greater China region. With a comprehensive product portfolio and event-focused services in the full year sports services agenda implemented in the Company's offline stores and online platform, it is expected that the 365-day communications with end consumers, with quality products and services will strengthen the interactions with consumers, better promote sports brands' products and attract capable online operators to team up with, which should result in a better sell-through for products and in-depth communications with end consumers. All these are in the course of establishing a valuable sports services platform for serving end consumers and sports brand owners better.

Business opportunities and investment risks always happen at the same time with similar magnitude. The Company will plan and proceed all these new initiatives with caution but being aggressive and proactive.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Proposed Privatisation

On January 21, 2018, Pou Chen Corporation ("Pou Chen") requested the Board to put forward the proposal (the "Proposal") to the scheme shareholders of the Company for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Bermuda Companies Act 1981 (the "Scheme"), subject to the fulfilment or waiver (as applicable) of certain conditions. If the Proposal is approved and implemented, (i) the Company will become a direct or indirect wholly-owned subsidiary of Pou Chen; and (ii) the listing of the shares of the Company (the "Shares") on the Stock Exchange will be withdrawn.

For further details of the Proposal and the Scheme, please refer to the announcement dated January 21, 2018, jointly issued by the Company, Pou Chen and Yue Yuen, the subsequent announcements issued by the Company and/or Pou Chen, and the scheme document of Pou Chen and the Company dated March 12, 2018.

Shareholders and potential investors of the Company should be aware that the implementation of the Proposal and the Scheme is subject to the certain conditions being fulfilled or waived (as applicable), and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

SHARE OPTION SCHEME

The Company adopted a share option scheme which has a term of 10 years commencing on May 14, 2008. In order to provide greater flexibility to the Board in the treatment of outstanding share options held by the grantees in the event that they cease to become a participant, certain terms of the share option scheme were amended on March 7, 2012 (the "Share Option Scheme").

As at the date of this announcement, the total number of Shares available for issue under the Share Option Scheme is 301,614,810 Shares, representing approximately 5.65% of the total number of issued shares of the Company. As at December 31, 2017, an aggregate of 53,749,190 Shares are issuable for share options granted under the Share Option Scheme, representing approximately 1.01% of the total number of issued shares of the Company.

SHARE AWARD SCHEME

The Company adopted a share award scheme, certain terms of the share award scheme were duly amended on November 11, 2016 (the "Share Award Scheme"), which shall be valid and effective for a term of 10 years commencing on May 9, 2014. Any proposed award must be recommended by the remuneration committee of the Company and approved by the Board. The total number of Shares to be awarded under the Share Award Scheme shall not exceed 4% of the issued Shares of the Company as at the date of grant. The maximum number of shares which may be awarded to a selected participant (including vested and non-vested shares) shall not exceed 1% of the issued Shares of the Company from time to time.

Eligible participant(s) selected by the Board for participation in the Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Share Award Scheme shall not exercise the voting rights in respect of any Shares held under the trust (including but not limited to the awarded shares, the returned Shares, any bonus Shares and scrip Shares).

During the year ended December 31, 2017, 11,326,000 share awards were granted, 10,443,000 share awards lapsed or were cancelled and 4,933,680 shares awards were vested under the Share Award Scheme. As at December 31, 2017, an aggregate of 41,079,130 share awards which are subject to certain vesting conditions, remain unvested.

ANNUAL GENERAL MEETING

The forthcoming 2018 annual general meeting of the Company will be held on Monday, June 4, 2018 (the "2018 AGM"). Notice of the 2018 AGM will be published and issued to the Shareholders in due course.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.02 per share to the Shareholders whose names appear on the Register of Members on Monday, June 11, 2018, amounting to approximately HK$106.8 million, subject to approval by the Shareholders at the 2018 AGM. Total dividend for the year will amount to HK$0.02 per share (2016: HK$0.04 per share).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2018 AGM

For the purpose of ascertaining entitlement to the Scheme, the Register of Members will be closed from Saturday, May 19, 2018 onwards. Should the Scheme not become effective as expected, the Register of Members will be re-opened on a date to be determined. In such situation, for the purpose of ascertaining entitlement to attend and vote at the 2018 AGM (the "Entitlement to 2018 AGM"), the Register of Members will be closed from Tuesday, May 29, 2018 to Monday, June 4, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, May 28, 2018. The record date for Entitlement to 2018 AGM will be Monday, June 4, 2018. Shareholders and potential investors of the Company should note that if the Scheme becomes effective before holding of the 2018 AGM as expected, the Register of Members will not be re-opened for transfer recording purposes after Saturday, May 19, 2018 and the only Shareholder(s) who will be entitled to attend and vote at the 2018 AGM will be Pou Chen or any of its subsidiary(ies) whose name(s) appear on the Register of Members on the date of the 2018 AGM.

Entitlement to the proposed final dividend

For the purpose of ascertaining entitlement to the Scheme, the Register of Members will be closed from Saturday, May 19, 2018 onwards. Should the Scheme not become effective as expected, the Register of Members will be re-opened on a date to be determined. In such situation, for the purpose of ascertaining entitlement to the proposed final dividend (the "Entitlement to Final Dividend"), the Register of Members will be closed from Monday, June 11, 2018 to Thursday, June 14, 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend payable on Monday, June 25, 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, June 8, 2018. Dividend warrants will be despatched on Monday, June 25, 2018. The record date for Entitlement to Final Dividend will be Monday, June 11, 2018. Shareholders and potential investors of the Company should note that if the Scheme becomes effective before Monday, June 11, 2018 as expected, the Register of Members will not be re-opened for transfer recording purposes after Saturday, May 19, 2018 and the only Shareholder(s) who will be entitled to the final dividend will be Pou Chen or any of its subsidiary(ies) whose name(s) appear on the Register of Members on Monday, June 11, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares listed and traded on the Stock Exchange (2016: 53,186,000 Shares).

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed, with management and the external auditor of the Company, the Group's consolidated financial statements for the year ended December 31, 2017, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal controls, and financial reporting matters.

CORPORATE GOVERNANCE

During the year ended December 31, 2017, the Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules, except the two deviations from the CG Code as explained below.

(I) After the resignation of the former chief executive officer of the Company (the "CEO"), Mr. Kwan, Heh-Der, as the CEO and an executive Director on January 6, 2017, Mr. Wu, Pan-Tsu, the chairman of the Board (the "Chairman") assumed the role and responsibilities of the CEO on a temporary basis until Mr. Lee, Shao-Wu ("Mr. Lee"), the existing CEO, was appointed as an executive Director and acting CEO on February 6, 2017. Mr. Lee was then re-designated as the CEO on March 24, 2017.

There was no segregation between the roles of the Chairman and the CEO during the period from January 6, 2017 to February 5, 2017. This is a deviation from code provision A.2.1 of the CG Code. As it was only a temporary measure while the Company was actively searching for a replacement to fill in the position, the Board does not consider that no segregation of the roles for such a short period had impaired the balance of power and authority between the Board and the management of the Company given there is a division of responsibilities for each of the individual business operation segment of the Group.

(II) After the resignation of the former company secretary of the Company (the "Company Secretary"), Ms. Chong Yim Kuen, as the Company Secretary on January 19, 2017, there was no Company Secretary for the Company from January 19, 2017 to May 11, 2017 and the day-to-day tasks of the Company Secretary were carried out by personnel at the Company who possess relevant experience to deal with such tasks. This is a deviation from code provision F.1.1 of the CG Code which stipulates that the company secretary should be an employee of the issuer or external service provider. On May 12, 2017, Mr. Fan Kam Wing was appointed as the new Company Secretary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Following specific enquiry by the Company to all Directors, each of them confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended December 31, 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the designated issuer website of Stock Exchange (www.hkexnews.hk). The annual report 2017 of the Company will be dispatched to the Shareholders and available on the above websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff of the Group for their commitment and dedicated services throughout the year.

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, March 23, 2018

As at the date of this announcement, the Board comprises:

Executive Directors
Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu (Chief Executive Officer)

Non-executive Directors
Ms. Tsai Patty, Pei Chun and Mr. Li I-nan

Independent Non-executive Directors
Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue

Website: www.pousheng.com