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, 2018

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31, 2018	2017	Percentage increase
Revenue *(RMB'000)*	**22,677,375**	18,833,313	**20.4%**
Operating profit *(RMB'000)*	**966,881**	770,392	**25.5%**
Profit attributable to owners of the Company *(RMB'000)*	**542,888**	394,322	**37.7%**
Basic earnings per share *(RMB cents)*	**10.39**	7.57	**37.3%**
Dividend per share			
Final dividend (proposed) *(HK$)*	**0.025**	0.020	**25.0%**

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, 2018 with comparative figures for the corresponding year in 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	3	**22,677,375**	18,833,313
Cost of sales		**(15,078,824)**	(12,239,725)
Gross profit		**7,598,551**	6,593,588
Other operating income and gains (losses)		**281,307**	228,026
Selling and distribution expenses		**(6,099,595)**	(5,326,027)
Administrative expenses		**(813,382)**	(725,195)
Operating profit		**966,881**	770,392
Finance costs		**(149,843)**	(106,908)
Finance income		**6,260**	6,386
Finance costs – net		**(143,583)**	(100,522)
Share of results of joint ventures		**(929)**	(3,583)
Other gains (losses)	4	**–**	(9,068)
Profit before taxation		**822,369**	657,219
Income tax expense	5	**(261,475)**	(242,187)
Profit for the year	6	**560,894**	415,032
Attributable to:			
Owners of the Company		**542,888**	394,322
Non-controlling interests		**18,006**	20,710
		560,894	415,032
Earnings per share	8		
– Basic		**RMB10.39 cents**	RMB7.57 cents
– Diluted		**RMB10.31 cents**	RMB7.50 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**560,894**	415,032
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, net of tax	**–**	6,381
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**637**	(1,238)
Reclassification upon deregistration of a subsidiary	**1,247**	–
Other comprehensive income for the year	**1,884**	5,143
Total comprehensive income for the year	**562,778**	420,175
Attributable to:		
Owners of the Company	**544,307**	399,438
Non-controlling interests	**18,471**	20,737
	562,778	420,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Note	**2018**	2017
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Investment properties		**94,700**	94,700
Property, plant and equipment		**1,131,676**	1,054,005
Deposits paid for acquisition of property, plant and equipment		**59,823**	51,181
Prepaid lease payments		**109,357**	112,571
Rental deposits and prepayments		**168,693**	154,865
Intangible assets		**378,648**	502,435
Goodwill		**532,808**	532,612
Interests in joint ventures		**38,074**	39,003
Loan to a joint venture		**3,000**	3,000
Available-for-sale investment		**–**	2,190
Equity instrument at fair value through other comprehensive income		**2,231**	–
		2,519,010	2,546,562
Current assets			
Inventories		**6,694,022**	5,589,344
Trade and other receivables	9	**3,292,935**	2,844,993
Taxation recoverable		**546**	2,207
Bank balances and cash		**730,956**	487,004
		10,718,459	8,923,548

	Note	2018 *RMB'000*	2017 *RMB'000*
Current liabilities			
Trade and other payables	10	**2,097,581**	2,104,417
Contract liabilities		**283,145**	–
Taxation payable		**178,453**	137,746
Bank and other borrowings		**3,531,259**	2,532,169
Bank overdrafts		**–**	109,617
		6,090,438	4,883,949
Net current assets		**4,628,021**	4,039,599
Total assets less current liabilities		**7,147,031**	6,586,161
Non-current liability			
Deferred tax liabilities		**111,494**	144,632
Net assets		**7,035,537**	6,441,529
Capital and reserves			
Share capital		**46,588**	46,530
Reserves		**6,820,979**	6,344,162
Equity attributable to owners of the Company		**6,867,567**	6,390,692
Non-controlling interests		**167,970**	50,837
Total equity		**7,035,537**	6,441,529

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, 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")

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

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

HKFRS 15 *"Revenue from Contracts with Customers"*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue" and the related interpretations.

Upon adoption of HKFRS 15, receipt in advance from customers included in trade and other payables amounting to RMB319,879,000 was reclassified to contract liabilities as at the date of initial application, January 1, 2018.

Other than reclassification of contract liabilities, the adoption of HKFRS 15 does not have material impact on the Group's financial performance and position.

HKFRS 9 *"Financial Instruments"*

In the current year, the Group has applied HKFRS 9 "Financial Instruments". HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; and (2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

<u>Summary of effects arising from initial application of HKFRS 9</u>

(1) *Classification and measurement of financial assets and financial liabilities*

The Group elected to present in other comprehensive income for the fair value changes of its equity investment previously classified as available-for-sale investment, of which RMB2,190,000 related to the unquoted equity investment previously measured at cost less impairment under HKAS 39. The investment is not held for trading and not expected to be sold in the foreseeable future.

The adoption of HKFRS 9 does not have any impact on the classification and measurement of financial liabilities.

(2) *Impairment under ECL model*

HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on aging status of trade receivables in terms of its Retail Business (as defined below).

Loss allowances for other financial assets at amortised cost mainly comprise of amounts due from related parties, amount due from non-controlling interests of a subsidiary, loan to a joint venture, other receivables and bank balances, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at January 1, 2018, the Group has assessed and reviewed the existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Hence, no additional impairment loss was identified.

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 (the "Retail Business"). 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 recognised at a point in time:

	2018	2017
	RMB'000	*RMB'000*
Sales of sportswear and footwear products	**22,545,025**	18,717,318
Commissions from concessionaire sales	**132,350**	115,995
	22,677,375	18,833,313

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

	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of a joint venture	**–**	(5,105)
Loss on disposal of subsidiaries	**–**	(4,363)
Fair value changes on investment properties	**–**	400
	–	(9,068)

5. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Taxation attributable to the Company and its subsidiaries:		
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT") *(note ii)*		
– current year	**293,749**	272,701
– overprovision in prior years	**(1,362)**	(2,484)
Current tax charge – total	**292,387**	270,217
Withholding tax *(note iii)*	**2,236**	–
Deferred tax credit	**(33,148)**	(28,030)
	261,475	242,187

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 Group 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) Pursuant to EIT Law of PRC and the Detailed Implementation Rules, distribution of the profits earned by the subsidiaries in the PRC since January 1, 2008 to holding companies is subject to the PRC withholding tax at the applicable tax rate of 10%.

6. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments	**2,133**	2,046
Retirement benefit scheme contributions, excluding directors and the chief executive	**316,706**	260,445
Equity-settled share-based payments, excluding directors and the chief executive	**13,825**	12,057
Other staff costs	**2,100,815**	1,827,536
Total staff costs	**2,433,479**	2,102,084
Auditor's remuneration	**4,723**	5,033
Depreciation of property, plant and equipment	**383,399**	316,630
Net changes in allowance for inventories	**(62,590)**	88,203
Release of prepaid lease payments	**3,214**	3,971
Amortisation of intangible assets (included in selling and distribution expenses)	**123,849**	112,317
Share of taxation of joint ventures (included in share of results of joint ventures)	**–**	33

For the years ended December 31, 2017 and 2018, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

7. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2017 Final dividend of HK$0.020 per share (2017: 2016 Final dividend of HK$0.020 per share)	**87,298**	92,667

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2018 of HK$0.025 per share (2017: HK$0.020 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 Tuesday, June 11, 2019.

The proposed final dividend is subject to approval by the Shareholders at the forthcoming 2019 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:

	2018	2017
	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	**542,888**	394,322

	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,223,525,689**	5,209,876,859
Effect of dilutive potential ordinary shares:		
– Share options	**4,225,868**	4,715,854
– Unvested awarded shares	**39,093,273**	41,694,148
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,266,844,830**	5,256,286,861

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

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,739,803**	1,609,167
Deposits, prepayments and other receivables	**1,553,132**	1,235,826
	3,292,935	2,844,993

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:

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**1,495,483**	1,417,271
31 to 90 days	**230,681**	181,900
Over 90 days	**13,639**	9,996
	1,739,803	1,609,167

10. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**648,037**	548,365
Bills payables	**2,872**	14,479
Receipt in advance from customers	**–**	319,879
Deposits from customers	**344,464**	272,994
Amounts due to related and connected parties	**6,620**	6,611
Accrued staff costs	**361,434**	289,480
Sales discount and rebate payables	**48,809**	33,648
Other tax payables	**137,252**	111,877
Other accruals and payables	**548,093**	507,084
	2,097,581	2,104,417

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:

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**646,275**	558,534
31 to 90 days	**3,079**	976
Over 90 days	**1,555**	3,334
	650,909	562,844

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

Throughout 2018, the Group continued to pour resources into elevating the operational efficiency of its brick and mortar ("B&M") stores by using proven technologies to enhance the shopping experience of consumers – both via in-store B2C and C2C. This also paved the way for the Group to communicate with consumers through its omni-channel (i.e. B&M stores and its online app) approaches in the coming years, while moving it closer to its vision and mission to "Make sports your life!" and "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.".

The Group is gearing up to position itself not only as a top ranking retailer for world-renowned sportswear brands in the Greater China region, but also as a sports services platform that enhances the stories around the brand owners' products and provides quality customer relationship management ("CRM") that utilises the Group's unique resources in sports events and related services to communicate with consumers on the initiatives for "Make sports your life!" in ways that are fun and convenient through online and offline. Alongside these efforts to enhance and elevate the Group's operational efficiency, it has been progressively offering more unique experiences, quality services, in-depth CRM and better product mix via its omni-channel while also experimenting with new store concepts which are expected to grow sports brands' businesses in China using creative approaches to align with and capture the future trends, needs and opportunities.

In order to enhance the plot of the stories of its brand owners' products and to increase consumer loyalty to these products, the Group organised 3-on-3 basketball tournaments, marathon events and trail runs in over 20 cities across China in 2018, strengthening the communication with sports fans and consumers through a series of months-long CRM marketing activities via the Group's omni-channel, creating longer-lasting impacts than just participating in one-day activity event and establishing greater loyalty of consumers to the Group in return for the new opportunities for product sales growth. It is the Group's strategy to add more product-related services on intellectual property ("IP") and authorised sports events to build strong loyalty towards the omni-channel operated by the Group, through making good use of the consumers' insights generating from our big data collected from an individual consumer's participation in sports events as well as their product purchase records, which will eventually lead the change of its business format with less B&M store density but more sales.

During this process of operational enhancement and elevation, the Group also sought to make improvements to its existing operations in 2018. Inventory levels were maintained at a relatively stable level by better monitoring and planning of procurement practices, while new online and offline sales channels were added to reinforce in-season sales-through and effective off-season clearance. The Group also developed promotion plans with support from its brand partners. It further digitised the business intelligence and performance index of its retail business, upgraded its B&M stores and improved sales efficiency by integrating and sharing the inventories of its regional stores and omni-channel. The Group's objective is that all of its online sales channels can act as a platform for all B&M stores to continue selling products to consumers after they have left the stores; price gaps should not be the focus of consumers shopping online, but rather the value-added services (i.e. sports events related services), which will lead the consumers more willing to shop at the same price online as at the offline stores.

As at December 31, 2018, the Group's retail network consisted of 5,648 directly operated stores and 3,551 sub-distributor stores across the Greater China region.

In order to capture the full benefit of the growing athleisure trend, the Group will continue to focus on opening and upgrading its experience-rich B&M stores, as well as a new mega store concept with multimedia and high-tech retail features that will better integrate the Group's in-store sports services and sports networking elements with its online offerings and other sales channels.

Nevertheless, the sports retailing environment in China remains highly competitive and fragmented. Although e-commerce will continue to be a scaled shopping platform that offers an attractive product discount, offline retail channels will remain important and irreplaceable sales touchpoints, as consumers seek unique and personalised shopping experiences for products and services. The Group will continue to invest heavily in upgrading and integrating its B&M stores and digital channels to reinforce the consumer experience and stimulate higher-margin as well as in-season sales, while also fulfilling the ever-changing shopping habits of end consumers. This will result in higher cost pressures, such as increased wages for hiring and retaining experienced front line sales-staffs and higher rental costs for larger-scale stores with more experience-driven facilities, among other investments in its omni-channel platform. While being potentially costly, these investments are essential for the Group to maintain its competitive advantages in line with the future trend of sports retailing in China.

Despite this, the Group is cautiously optimistic toward the challenging economic backdrop, and confident about capturing promising opportunities in the long term.

Analysis of Performance

Financial Review

In 2018, the Group recorded revenue of RMB22,677.4 million, representing an increase of 20.4% compared with the 2017 financial year. Gross profit was RMB7,598.6 million, an increase of 15.2% compared to the 2017 financial year. Profit attributable to owners of the Company in 2018 was RMB542.9 million, an increase of 37.7% compared with the 2017 financial year.

Revenue

The Group's total revenue in 2018 grew 20.4% to RMB22,677.4 million, as compared with the 2017 financial year. This growth was attributed to the continuous development of the retail business as well as its rapid growth in online business.

Gross Profit

The Group's gross profit in 2018 amounted to RMB7,598.6 million, with a gross profit margin of 33.5%. The gross profit margin decreased by 1.5 percentage points compared to the 2017 financial year due to the change of channel mix, increased discounts and clearance sales for emerging brands.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in 2018 were RMB6,913.0 million, representing 30.5% of total revenue, an increase of 14.2% while decreased by 1.6 percentage points, compared with the 2017 financial year. The Group continued to invest in new concept stores and stores upgrades, the optimisation of its distribution and digital channels, as well as in the motivation of its sales team. These activities, together with increased business scale, led to a corresponding increase in staff costs, rental and depreciation expenses. With various efforts of cost control, optimisation of staffing costs, and closure of non-profitable stores, the operating expense ratio decreased by 1.6 percentage points to 30.5%.

Operating Profit

The Group's operating profit in 2018 was RMB966.9 million, with an operating profit margin of 4.3%, compared to an operating profit of RMB770.4 million and operating margin of 4.1% in the 2017 financial year.

Profit for the Year

Due to the aforementioned reasons, the Group recorded a net profit of RMB560.9 million in 2018, an increase of 35.1% compared to the net profit of RMB415.0 million in the 2017 financial year.

Working Capital Efficiency

The average inventory turnover period for 2018 was 149 days (2017: 149 days). Under the drastically changing market, the stabilisation in the inventory turnover period was attributable to an improved in-season sell-through, as well as acceleration of stock clearance and enhanced seasonal procurement plans. The Group is continuing to diligently manage inventory levels to optimise working capital efficiency. The average trade receivables turnover period for 2018 was 27 days (2017: 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 for 2018 was 15 days (2017: 16 days).

Liquidity and Financial Resources

As at December 31, 2018, the Group had cash and cash equivalents of RMB731.0 million (December 31, 2017: RMB377.4 million) and working capital (current assets minus current liabilities) of RMB4,628.0 million (December 31, 2017: RMB4,039.6 million). Total bank and other borrowings were RMB3,531.3 million (December 31, 2017: RMB2,532.2 million) and are repayable within one year. Bank and other borrowings were mainly denominated in Renminbi and so were cash and cash equivalents.

The Group's gearing ratio as of December 31, 2018, represented by total interest-bearing loans as a percentage of total equity, was 50.2% (December 31, 2017: 41.0%). The Group's net debt to equity ratio as of December 31, 2018, represented by total interest-bearing loans minus bank balances and cash as a percentage of total equity, was 39.8% (December 31, 2017: 33.5%)

In 2018, the net cash used in operating activities was RMB6.2 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in 2018 was RMB506.6 million, while the net cash generated from financing activities was RMB865.4 million. In 2018, the Group raised and repaid bank and other borrowings of RMB6,892.9 million and RMB5,894.9 million respectively.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for upgrading existing store formats, expanding new concept and mega stores, and injecting resources into its online and sports services platform. In 2018, total capital expenditure was RMB531.7 million (2017: RMB576.4 million). As at December 31, 2018, 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 Renminbi. As at December 31, 2018, the Group had no significant hedging instruments for managing its foreign exchange exposure. 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 complicate and speculative financial instruments. The use of derivatives and approval procedures were in accordance with our internal policies and guidelines during the year under review.

HUMAN RESOURCES

As at December 31, 2018, the Group had approximately 32,000 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.

SIGNIFICANT EVENT

Privatisation

As the proposal requested by Pou Chen Corporation for the privatisation of the Company by way of a scheme of arrangement (the "Proposal" and the "Scheme", respectively) was not approved by certain disinterested Scheme shareholders at the Court meeting held on April 9, 2018, the Proposal and the Scheme lapsed. Thus, the Proposal was not implemented, the Scheme did not become effective and the shares of the Company (the "Shares") remain listed on the Stock Exchange.

PROSPECTS AND FUTURE DEVELOPMENTS

The Group's management remains optimistic about the long-term growth opportunities in the sportswear market, which is being supported by rising levels of health awareness, higher sports participation rates and the growth of the 'athleisure' trend in the Greater China region. However, its short-to-medium term performance may be impacted by macroeconomic factors impacting China and global markets, including slowing economic growth and potential negative sentiment resulting from the trade tensions between China and the United States of America.

Despite the aforesaid, the Group's omni-channel distribution strategy will continue to benefit from the favorable environment being created by the support from the PRC government for the popularisation of sports activities. This will likely continue as China's economy shifts away from exports and investment-led growth towards more sustainable growth based on higher domestic consumption, including increased spending on sports and cultural activities.

The prospects for the sportswear market are significant. In its recently announced two-year development plan, the General Administration of Sport and the National Development and Reform Commission forecast that sports consumption in China will reach RMB1.5 trillion by 2020.

The Group will continue to enhance its IP sports events across the Greater China region, as well as events licensed by sports event companies, organised with local governments or in collaboration with global brand partners. These include, but are not limited to, the following:

- "Go Wild" trail run tournament (IP event)
- "Dou Dao Di" 3 on 3 basketball league (IP event)
- HOOD to COAST marathon relay (licensed event)
- Kunshan Marathon, a cross-Strait focused annual marathon event (lead organiser)
- The Beijing and Shanghai marathons and other regional marathons, in cooperation with brand partners
- YYsports online virtual running (strategic alliance with China's biggest running club company)
- Mini baseball training camp coached by Taiwan baseball superstar players (licensed event)
- Running, basketball, baseball, rock climbing etc. training programs (local events, serving as series to top-level sports events)

In 2019, the Group will launch its first new concept mega store emphasising on a fusion design concept that combines products and services together in the offline store using a unique online interface. These stores will feature a much larger floor space than the Group's traditional multi-brand stores and will seamlessly combine the sale of latest-trend products with professional personalised sports training services and venues, creating seamless omni-channel connectivity for enthusiastic sports fans and shoppers.

The new concept store will incorporate more customisation and localisation, and will offer a wider variety of offerings. It will combine more high-tech and interactive features that will enable it to better cater for changing consumer trends, particularly rising demands for in-store experiences. This trend will make the Group easier to benefit from rising purchasing powers and changing lifestyles among mid-income consumers, also grant it more flexibility to plan and open new concept stores in addition to the locations of traditional stores.

The Group will further develop its digital platform and business intelligence systems in the coming years to better support inventory management, optimise its resources and improve the efficiency of its working capital. At the same time, the Group will make use of its mega stores and warehouses as mini-distribution centers to further exploit the benefit of this effective channel and logistics strategy. It will continue to integrate and upgrade its omni-channel sales and distribution network, CRM applications (such as loyalty programs), and operational systems, to support the execution of sporting services and events across the Greater China region.

In line with its customer centric strategy, the Group will continue to move closer to its goal of expanding the scale of its interaction with consumers to 365-day communications by cooperating with potential strategic partners and by connecting brands' products to relevant sports events and related services to build consumers' loyalty.

Despite the challenging business environment and intensifying competition, the Group expects to further enhance its long-term performance and profitability by optimising its resources in order to maximise the returns for its customers, partners, employees and shareholders.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the Shareholders on May 14, 2008 (the "Share Option Scheme"), certain terms of which were amended on March 7, 2012, and was valid and effective for a period of ten years from the date of adoption. The Share Option Scheme expired at the end of the day on May 13, 2018, after which no further share options should be offered or granted. However, the share options granted prior to the expiration of the Share Option Scheme shall continue to be valid and exercisable within their respective prescribed exercisable periods.

As at December 31, 2018, an aggregate of 19,584,000 ordinary Shares have been issued, an aggregate of 18,913,640 ordinary Shares, representing approximately 0.35% of the total number of issued Shares, are issuable on the exercise of share options; and an aggregate of 28,244,190 ordinary Shares may be issued upon fully exercise of all share options granted under the Share Option Scheme.

SHARE AWARD SCHEME

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

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

During the year ended December 31, 2018, 20,179,000 share awards were granted, 3,876,000 share awards lapsed or were cancelled and 13,538,680 share awards were vested under the Share Award Scheme. As at December 31, 2018, an aggregate of 43,843,450 share awards which are subject to certain vesting conditions, remain unvested.

ANNUAL GENERAL MEETING

The forthcoming 2019 annual general meeting of the Company will be held on Friday, May 31, 2019 (the "2019 AGM"). Notice of the 2019 AGM will be published and issued to the Shareholders in due course.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend in respect of the year ended December 31, 2018 of HK$0.025 per Share (2017: HK$0.020 per Share) to the Shareholders whose names appear on the Register of Members on Tuesday, June 11, 2019, amounting to approximately HK$133.9 million, subject to approval by the Shareholders at the 2019 AGM.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2019 AGM

For the purpose of ascertaining entitlement to attend and vote at the 2019 AGM (the "Entitlement to 2019 AGM"), the Register of Members will be closed from Monday, May 27, 2019 to Friday, May 31, 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 24, 2019. The record date for Entitlement to 2019 AGM will be Friday, May 31, 2019.

Entitlement to the proposed final dividend

For the purpose of ascertaining entitlement to the proposed final dividend (the "Entitlement to Final Dividend"), the Register of Members will be closed from Tuesday, June 11, 2019 to Friday, June 14, 2019, 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 24, 2019, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, June 10, 2019. Dividend warrants will be despatched on Monday, June 24, 2019. The record date for Entitlement to Final Dividend will be Tuesday, June 11, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2018, 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 (2017: nil).

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group's consolidated financial statements for the year ended December 31, 2018, 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, 2018, the Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

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 has confirmed that he/she has complied with the required standard set out in the Model Code throughout the year ended December 31, 2018.

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 2018 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 22, 2019

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. Feng Lei Ming

Website: www.pousheng.com