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, 2019

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31, 2019	2018	Percentage increase (decrease)
Revenue *(RMB'000)*	**27,189,765**	22,677,375	**19.9%**
Operating profit *(RMB'000)*	**1,471,932**	966,881	**52.2%**
Profit attributable to owners of the Company *(RMB'000)*	**833,275**	542,888	**53.5%**
Basic earnings per share *(RMB cents)*	**15.87**	10.39	**52.7%**
Dividend per share			
Final dividend (proposed) *(HK$)*	**–**	0.025	**(100.0)%**

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, 2019 with comparative figures for the corresponding year in 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	3	**27,189,765**	22,677,375
Cost of sales		**(17,914,296)**	(15,078,824)
Gross profit		**9,275,469**	7,598,551
Other operating income and gains (losses)		**377,306**	281,307
Selling and distribution expenses		**(7,168,952)**	(6,099,595)
Administrative expenses		**(1,011,891)**	(813,382)
Operating profit		**1,471,932**	966,881
Finance costs		**(247,522)**	(149,843)
Finance income		**8,335**	6,260
		(239,187)	(143,583)
Share of results of joint ventures		**1,072**	(929)
Other gain (loss)	4	**(9,351)**	–
Profit before taxation		**1,224,466**	822,369
Income tax expense	5	**(344,556)**	(261,475)
Profit for the year	6	**879,910**	560,894
Attributable to:			
Owners of the Company		**833,275**	542,888
Non-controlling interests		**46,635**	18,006
		879,910	560,894
Earnings per share	8		
– Basic		**RMB15.87 cents**	RMB10.39 cents
– Diluted		**RMB15.73 cents**	RMB10.31 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**879,910**	560,894
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(505)**	637
Reclassification upon deregistration of a subsidiary	**–**	1,247
Other comprehensive (expense) income for the year	**(505)**	1,884
Total comprehensive income for the year	**879,405**	562,778
Attributable to:		
Owners of the Company	**832,905**	544,307
Non-controlling interests	**46,500**	18,471
	879,405	562,778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Note	**2019** **RMB'000**	2018 RMB'000
Non-current assets			
Investment properties		**94,700**	94,700
Property, plant and equipment		**1,354,186**	1,131,676
Right-of-use assets		**2,931,822**	–
Deposits paid for acquisition of property, plant and equipment		**87,103**	59,823
Prepaid lease payments		**–**	109,357
Rental deposits and prepayments		**178,427**	168,693
Intangible assets		**283,311**	378,648
Goodwill		**533,247**	532,808
Interests in joint ventures		**253,415**	38,074
Loan to a joint venture		**–**	3,000
Equity instrument at fair value through other comprehensive income		**2,323**	2,231
Deferred tax assets		**9,313**	–
		5,727,847	2,519,010
Current assets			
Inventories		**8,021,487**	6,694,022
Trade and other receivables	9	**2,993,538**	3,292,935
Taxation recoverable		**5,159**	546
Bank balances and cash		**613,591**	730,956
		11,633,775	10,718,459
Non-current assets classified as held for sale		**29,160**	–
		11,662,935	10,718,459

	Note	2019	2018
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	10	**2,660,829**	2,097,581
Contract liabilities		**414,969**	283,145
Taxation payable		**262,256**	178,453
Bank and other borrowings		**3,545,995**	3,531,259
Lease liabilities		**889,552**	–
		7,773,601	6,090,438
Net current assets		**3,889,334**	4,628,021
Total assets less current liabilities		**9,617,181**	7,147,031
Non-current liabilities			
Deferred tax liabilities		**85,658**	111,494
Lease liabilities		**1,825,445**	–
		1,911,103	111,494
Net assets		**7,706,078**	7,035,537
Capital and reserves			
Share capital		**46,685**	46,588
Reserves		**7,565,889**	6,820,979
Equity attributable to owners of the Company		**7,612,574**	6,867,567
Non-controlling interests		**93,504**	167,970
Total equity		**7,706,078**	7,035,537

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 of the Company is Major Focus Management Limited, a company incorporated in the British Virgin Islands and the ultimate holding company of the Company is Pou Chen Corporation, a company listed on the Taiwan Stock Exchange Corporation. 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 ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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 position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *"Leases"*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

The Group applied HKFRS 16 from January 1, 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application. At January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition, adjusted by any prepaid or accrued lease payments.

At January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities; whereas the lease liability is initially measured at the present value of the lease payments that are unpaid at that date, and subsequently adjusted for the interest and lease payments, as well as the impact of lease modification, amongst others.

Other than the reclassification of prepaid lease payments amounting to RMB112,564,000 and rental prepayments amounting to RMB131,180,000, the Group recognised lease liabilities of RMB1,864,138,000 and right-of-use assets of RMB1,864,138,000 at January 1, 2019.

At December 31, 2019, the lease liabilities and right-of-use assets amounted to RMB2,714,997,000 and RMB2,931,822,000, respectively, while depreciation associated with the right-of-use assets and finance costs associated with lease liabilities amounting RMB888,960,000 and RMB101,106,000, respectively, were recognised during the current year.

3. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and provision of large scale commercial spaces to retailers and distributors for concessionaire sales. The Group's results and revenue from major businesses are 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 businesses

The following is an analysis of the Group's revenue from its major businesses recognised at a point in time:

	2019	2018
	RMB'000	*RMB'000*
Sales of sportswear and footwear products	**27,052,466**	22,545,025
Commissions from concessionaire sales	**137,299**	132,350
	27,189,765	22,677,375

4. OTHER GAIN (LOSS) ARISING OTHER THAN OPERATING ACTIVITIES

	2019	2018
	RMB'000	*RMB'000*
Impairment loss on interest in a joint venture	**(9,987)**	–
Reversal of impairment loss recognised on loan to a joint venture	**636**	–
	(9,351)	–

5. INCOME TAX EXPENSE

	2019	2018
	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	**374,172**	293,749
– under(over)provision in prior years	**5,551**	(1,362)
Current tax charge – total	**379,723**	292,387
Withholding tax *(note iii)*	**–**	2,236
Deferred tax credit	**(35,167)**	(33,148)
	344,556	261,475

notes:

(i) Hong Kong

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 (the "EIT Law of 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 the 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 as at the applicable tax rates of 10%.

6. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments	**2,770**	2,133
Retirement benefit scheme contributions, excluding Directors and chief executives	**428,230**	316,706
Equity-settled share-based payments, excluding Directors and chief executives	**18,872**	13,825
Other staff costs	**2,547,958**	2,100,815
Total staff costs	**2,997,830**	2,433,479
Depreciation of right-of-use assets	**888,960**	–
Auditor's remuneration	**5,301**	4,723
Depreciation of property, plant and equipment	**473,732**	383,399
Net changes in allowance for inventories	**(61,026)**	(62,590)
Release of prepaid lease payments	**–**	3,214
Amortisation of intangible assets (included in selling and distribution expenses)	**104,876**	123,849
Gross rental income from investment properties, net of direct expenses	**(4,266)**	(3,893)

For the years ended December 31, 2019 and 2018, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

7. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2018 Final dividend of HK$0.025 per share (2018: 2017 Final dividend of HK$0.020 per share)	**115,326**	87,298

Subsequent to the end of the reporting period, the Directors resolved not to recommend payment of a final dividend in respect of the year ended December 31, 2019 (2018: HK$0.025 per share).

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:

	2019	2018
	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	**833,275**	542,888

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,250,572,849**	5,223,525,689
Effect of dilutive potential ordinary shares:		
– Share options	**393,059**	4,225,868
– Unvested awarded shares	**47,156,369**	39,093,273
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,298,122,277**	5,266,844,830

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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**1,407,523**	1,739,803
Deposits, prepayments and other receivables	**1,586,015**	1,553,132
	2,993,538	3,292,935

The Group generally allows 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:

	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**1,297,831**	1,495,483
31 – 90 days	**107,056**	230,681
Over 90 days	**2,636**	13,639
	1,407,523	1,739,803

10. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills payables	**772,913**	650,909
Deposits from customers	**413,052**	344,464
Amounts due to related and connected parties	**79,725**	6,620
Accrued staff costs	**549,122**	361,434
Sales discount and rebate payables	**69,570**	48,809
Other tax payables	**141,928**	137,252
Other accruals and payables	**634,519**	548,093
	2,660,829	2,097,581

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:

	2019	2018
	RMB'000	*RMB'000*
0 – 30 days	**770,845**	646,275
31 – 90 days	**653**	3,079
Over 90 days	**1,415**	1,555
	772,913	650,909

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

11. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, the Group temporarily suspended the operations of majority of its retail stores due to the outbreak of the novel coronavirus (COVID-19) epidemic (the "Epidemic") in the PRC and the mandatory quarantine measures imposed by the PRC government. Therefore, the Directors expect that the Epidemic will have a negative impact on the Group's revenue and results for the first half of 2020. The Group has adopted several cost control measures to minimise the negative impact in this regard. Up to the date of this announcement, the assessment is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Model and Environment

In 2019, the Group continued to develop its leading position in the China sportswear market by providing quality products and sports services through its growing omni-channels, experience-rich brick and mortar ("B&M") stores and leading sports services platform. It continued to improve the operational efficiency of its offline channels and enhance the functions and contents of its online channels. With this progress, the Group is continuing to improve its communication with customers, while getting closer to its vision and mission: "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.".

Leveraging on its leading sports services platform and its unique sports events capabilities and related services in Greater China, the Group oversaw a full schedule of intellectual property ("IP") sports events throughout 2019, which resulted in greater customer engagement and loyalty, while further enhancing the stories around brand owners' products. These sports events ranged from marathons, trail runs, and qualification series, to warm up and training runs, and 3-on-3 basketball tournaments. These events were either organised solely by the Group, sponsored by sports brand owners, licensed by sports events companies, or organised in partnership with local governments across the Greater China region. This strategy also allows the Group to use the big data it generates to analyse each customer's participation in sports events with their product purchase records, which further guided the changes being made on its business model, namely reducing B&M store density while still increasing sales with a higher sales conversion rate. In addition to these strategies, the Group also further enhanced its membership programme and re-launched its upgraded YYsports mobile application in Taiwan and Mainland China in 2019. The new app features diversified sports services content, interactive features, and other related services. It also supports in-depth customer relationship management ("CRM") to further facilitate a seamless online and offline customer experience.

The Group continued to manage its inventory at a healthy and relatively efficient level through the better planning of procurement practices, online and offline inventory-integrated sales, and making the best use of different online and offline sales channels to reinforce in-season sell-through and effective off-season clearance. The Group also sought to develop promotion plans with the support of its brand partners for better inventory control, while upgrading its B&M stores to offer a better shopping experience. The Group continued to make progress in digitising the business intelligence and performance index of its retail business through the implementation of a new dashboard system inside key B&M stores to establish a more efficient and systematic operations management system. The Group also improved sales efficiency by integrating and sharing the inventories of its regional stores and omni-channels. Moreover, through its strategic alliance with prominent online partners, the Group aims to sell products to consumers more efficiently by integrating the complementary resources among strategic partners and providing adequate product portfolios that are tailor-made for consumers at a reasonable price.

As of December 31, 2019, the Group's retail network consisted of 5,883 directly operated stores and 3,950 sub-distributor stores across the Greater China region.

Despite ongoing macroeconomic uncertainties, consumer spending in China remained robust in 2019. According to the statistics of the National Bureau of Statistics of China, consumer spending increased 8.0% year-on-year, reaching RMB41.16 trillion in 2019, while spending on sports and recreational products also increased by 8.0%. This increase in consumer spending, combined with rising disposable incomes and quickening athleisure trend such as growing fitness and health awareness in China, as well as higher sports participation rates, growing levels of sports service subscriptions, and supportive government policies, will continue to support growing demand for the Group's products and services well into the future. While this trend may be disrupted in the short-term by the outbreak of the Epidemic in China, which has heavily impacted consumer spending in first quarter of 2020 and it's expected the consumer spending momentum might need some time to recover and back on track. The Group will continue to execute scheduled business plans with extreme cautions and be agile to accommodate the uncertainties due to the impacts by the Epidemic. However, for the long-term, the Group remains optimistic that demand for sportswear and sports services in China will continue to grow in accelerated manner. The Group will continue to focus on opening and upgrading its experience-driven B&M stores, and enhancing its online B2C channels. It will soon also launch a new planned mega store concept that better integrates the Group's in-store sports services and networking elements with its online offerings and other sales channels, allowing it to fully capture the opportunities arising from athleisure trend.

Nevertheless, the sports retailing environment in China remains highly competitive and fragmented. Although e-commerce will continue to enjoy strong growth momentum, offline retail channels will remain important and irreplaceable sales touchpoints, as consumers continue to seek a unique and personalised shopping experience for products and services. The Group will continue to invest heavily in upgrading its B&M stores while integrating offline stores with its digital channels to reinforce the consumer experience and stimulate higher-margin in-season sales. This will require more investment in hiring and retaining experienced frontline sales-staff, expanding larger-format stores with more experience-driven facilities and more well-rounded omni-channel platform. These investments remain essential for the Group to build its unique core competences, maintain its competitiveness and support its development. Through these aforementioned efforts, the Group is confident that it can overcome various challenges and manage rising costs, while capturing promising long-term opportunities.

Analysis of Performance

Financial Review

In 2019, the Group recorded revenue of RMB27,189.8 million, representing an increase of 19.9% compared with the 2018 financial year. Gross profit was RMB9,275.5 million, an increase of 22.1% when compared to the 2018 financial year. Profit attributable to owners of the Company in 2019 was RMB833.3 million, an increase of 53.5% compared to the 2018 financial year.

Revenue

The Group's total revenue in 2019 grew 19.9% to RMB27,189.8 million, as compared with the 2018 financial year. This growth was attributed to the growing athleisure trend and sports participation rate in China, the continuous development of the Group's retail business, as well as the rapid growth of its online business.

Gross Profit

The Group's gross profit in 2019 amounted to RMB9,275.5 million, with a gross profit margin of 34.1%. The gross profit margin improved by 0.6 percentage points compared to the 2018 financial year, which was attributed to enhanced sell-through and reduced discounts.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in 2019 were RMB8,180.8 million, an increase of 18.3% compared to the 2018 financial year. This was equivalent to 30.1% of total revenue, a decrease of 0.4 percentage points year-on-year. This improvement was due to heightened operating efficiency and better control of rental expenses, despite the Group's continued investments 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.

Operating Profit

The Group's operating profit in 2019 was RMB1,471.9 million, with an operating margin of 5.4%, compared to an operating profit of RMB966.9 million and operating margin of 4.3% in the 2018 financial year.

Profit for the Year

As a result of the aforementioned efforts, the Group recorded a net profit of RMB879.9 million in 2019, an increase of 56.9% compared to the net profit of RMB560.9 million in the 2018 financial year.

Working Capital Efficiency

The average inventory turnover period for 2019 was 150 days (2018: 149 days). The inventory turnover period remained stable, with the Group continuing to improve in-season sell-through, implement timely off-season promotions and further enhancing its procurement plans. The Group is continuing to diligently manage inventory levels to optimise working capital efficiency. The average trade receivables turnover period for 2019 was 21 days (2018: 27 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 2019 was 15 days (2018: 15 days).

Liquidity and Financial Resources

As at December 31, 2019, the Group had cash and cash equivalents of RMB613.6 million (December 31, 2018: RMB731.0 million) and working capital (current assets minus current liabilities) of RMB3,889.3 million (December 31, 2018: RMB4,628.0 million). Total bank and other borrowings were RMB3,546.0 million (December 31, 2018: RMB3,531.3 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, 2019, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 46.0% (December 31, 2018: 50.2%). The Group's net debt to equity ratio as of December 31, 2019, represented by total interest-bearing loans minus bank balances and cash as a percentage of total equity, was 38.1% (December 31, 2018: 39.8%).

In 2019, the net cash generated from operating activities was RMB1,827.5 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in 2019 was RMB848.1 million, while the net cash used in financing activities was RMB1,098.0 million. In 2019, the Group raised and repaid bank borrowings of RMB5,079.6 million and RMB5,068.0 million respectively.

Capital Expenditure

The Group's capital expenditure primarily comprised of payments for newly opened stores, upgrading existing store formats, expanding new concept and mega stores to provide better shopping experiences, as well as for new resources injected into its online and sports services platform. In 2019, the total capital expenditure was RMB807.1 million (2018: RMB531.7 million). As at December 31, 2019, 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, 2019, 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 structured deposit investments. The use of derivatives and approval procedures were in accordance to our internal policies and guidelines during the year under review.

PROSPECTS AND FUTURE DEVELOPMENTS

In the short-term, particularly in the first half of 2020, the Group's performance will be impacted by the outbreak of the Epidemic in China. This has resulted in the temporary closure of numerous stores and malls from Chinese New Year to first half of March 2020, resulting in lower offline traffic and weak consumption sentiment and negatively impacting overall retail sales across the nation. The Group's short-to-medium term performance may also be impacted by other global macroeconomic factors, including slowing global economic growth, as well as intense competition within its business environment. However, following the recent relief of the Epidemic in China, majority of our retail stores have gradually resumed operations from mid of March 2020.

However, the Group's management remains optimistic about the long-term growth opportunities in the China's sportswear and sports consumption markets, which are being supported by rising health awareness, growing sports participation rates, and the growth of the athleisure trend in the Greater China region. As consumption is likely to continue being the dominant driver of economic growth in China, sports consumption is expected to reach RMB1.5 trillion by 2020, according to a two-year national plan released by the General Administration of Sport of China and the National Development and Reform Commission in January 2019. These trends will continue to support the Group's omni-channel distribution strategy, as well as demand for sports training, sports events and other sports services, over the long-term.

Where possible, the Group will continue to organise and enhance its IP sports events across the Greater China region, as well as events licensed by sports event companies, organised in partnership with local governments, or in partnership 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 (licenced 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 the first half of 2020, the Group will launch its first "Next Store" – service hub that incorporate a wide and diverse range of retail products, alongside training services, events, experiences, workshops and product and lifestyle consultations, which will greatly support its omni-channel capabilities. Each of these services will also be modularised, so that they can be easily entered into the Group's other multi-brand and mono-brand stores as required. The Group will also continue to develop its digital platform and business intelligence system to better support its inventory management, optimise its resources and improve the efficiency of its working capital. In the future, the Group expects to integrate a significant percentage of its medium-large point of sales as mini-distribution centres to support its channels and logistics strategies. It will continue to integrate and upgrade its omni-channel sales and distribution network, CRM applications (such as loyalty programs and membership engagements) and operational systems, to support the execution of sports services and events across the Greater China region.

The Group will continue to expand the scale of its interaction with consumers to 365-day communications by cooperating with current and potential strategic partners and by connecting brands' products to relevant sports events and services.

Despite the current challenges, leveraging the above strategies, the Group expects to further enhance its long-term performance and profitability, optimise its resources and maximise returns for its customers, partners, employees and shareholders.

HUMAN RESOURCES

As at December 31, 2019, the Group had approximately 36,100 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers 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.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the shareholders of the Company (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, 2019, an aggregate of 30,750,000 ordinary shares of the Company (the "Shares") have been issued and an aggregate of 10,871,870 Shares may be issued upon full exercise of all share options granted under the Share Option Scheme. Out of an aggregate of 10,871,870 Shares which may be issuable under vested and unvested options, 2,707,640 Shares of which, representing approximately 0.05% of the issued Shares, are immediately issuable and 8,164,230 Shares are issuable upon vesting and full exercise of share options granted.

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, 2019, 14,576,000 share awards were granted, 2,389,000 share awards lapsed or were cancelled and 13,287,280 share awards were vested under the Share Award Scheme. As at December 31, 2019, an aggregate of 42,743,170 share awards which are subject to certain vesting conditions, remain unvested.

ANNUAL GENERAL MEETING

The forthcoming 2020 annual general meeting of the Company will be held on Friday, May 29, 2020 (the "2020 AGM"). Notice of the 2020 AGM will be published and issued to the Shareholders in due course.

FINAL DIVIDEND

The Directors considered the recent economic and operational conditions may cause adverse impacts on the Group's business operation, financial performance and position, therefore, the Directors do not recommend the payment of a final dividend in respect of the year ended December 31, 2019 (2018: HK$0.025 per Share). The Directors believe that this measure is a prudent and responsible mean of preserving cash for long-term financial health of the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to attend and vote at the 2020 AGM (the "Entitlement to 2020 AGM"), the register of members of the Company will be closed from Monday, May 25, 2020 to Friday, May 29, 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2020 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 22, 2020. The record date for Entitlement to 2020 AGM will be on Friday, May 29, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2019, 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 (2018: nil).

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and Messrs. Deloitte Touche Tohmatsu, the independent auditor of the Company (the "Independent Auditor"), the Group's consolidated financial statements for the year ended December 31, 2019, the accounting principles and practices adopted by the Group and has discussed auditing, risk management and internal controls, and financial reporting matters.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at December 31, 2019, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in this announcement are in agreement with the amounts as set out in the audited consolidated financial statements of the Group for the year as approved by the Board on March 30, 2020. Since the work performed by the Independent Auditor in this regard did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the Independent Auditor does not express any assurance on this announcement.

CORPORATE GOVERNANCE

During the year ended December 31, 2019, the Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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, 2019.

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 the Stock Exchange (www.hkexnews.hk). The annual report 2019 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 30, 2020

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