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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

THE GROUP'S FINANCIAL HIGHLIGHTS			
Financial performance for the six months ended (RMB'000)	30/6/2020 (unaudited)	30/6/2019 (unaudited)	Change
Revenue	11,740,200	13,371,614	-12.2%
Gross profit	3,520,136	4,615,952	-23.7%
Operating profit	201,757	774,387	-73.9%
Profit attributable to owners of the Company	12,314	427,435	-97.1%
Gross profit margin (%)	30.0%	34.5%	-4.5 ppt
Operating profit margin (%)	1.7%	5.8%	-4.1 ppt
Basic earnings per share (RMB cents)	0.23	8.15	-97.2%
Financial position as at (RMB'000)	30/6/2020 (unaudited)	31/12/2019 (audited)	
Inventories	5,166,972	8,021,487	-35.6%
Trade and other receivables	3,665,423	2,993,538	22.4%
Bank balances and cash	1,616,168	613,591	163.4%
Bank and other borrowings	2,742,356	3,545,995	-22.7%

RESULTS

The board (the “Board”) of directors (the “Directors”) of Pou Sheng International (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended June 30, 2020 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2020

		For the six months ended June 30,	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	11,740,200	13,371,614
Cost of sales		(8,220,064)	(8,755,662)
Gross profit		3,520,136	4,615,952
Other operating income and gains (losses)		140,794	179,149
Selling and distribution expenses		(3,023,774)	(3,471,467)
Administrative expenses		(435,399)	(549,247)
Operating profit		201,757	774,387
Finance costs	5	(131,028)	(117,062)
Finance income		6,864	4,286
		(124,164)	(112,776)
Share of results of joint ventures		(9,965)	1,072
Other loss		–	(9,987)
Profit before taxation		67,628	652,696
Income tax expense	4	(50,249)	(189,271)
Profit for the period	5	17,379	463,425
Attributable to:			
Owners of the Company		12,314	427,435
Non-controlling interests		5,065	35,990
		17,379	463,425
Earnings per share	7		
– Basic		RMB0.23 cent	RMB8.15 cents
– Diluted		RMB0.23 cent	RMB8.06 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	17,379	463,425
Other comprehensive income		
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	<u>1,245</u>	<u>762</u>
Total comprehensive income for the period	<u>18,624</u>	<u>464,187</u>
Attributable to:		
Owners of the Company	13,635	428,222
Non-controlling interests	<u>4,989</u>	<u>35,965</u>
	<u>18,624</u>	<u>464,187</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2020

	<i>Note</i>	At June 30, 2020 <i>RMB'000</i> (unaudited)	At December 31, 2019 <i>RMB'000</i> (audited)
Non-current assets			
Investment properties		94,700	94,700
Property, plant and equipment		1,241,266	1,354,186
Right-of-use assets		2,659,602	2,931,822
Deposit paid for acquisition of property, plant and equipment		64,860	87,103
Rental deposits		184,590	178,427
Intangible assets		231,911	283,311
Goodwill		533,633	533,247
Interests in joint ventures		353,450	253,415
Equity instrument at fair value through other comprehensive income		2,404	2,323
Deferred tax assets		14,809	9,313
		5,381,225	5,727,847
Current assets			
Inventories		5,166,972	8,021,487
Trade and other receivables	8	3,665,423	2,993,538
Taxation recoverable		160	5,159
Bank balances and cash		1,616,168	613,591
		10,448,723	11,633,775
Non-current assets classified as held for sale		29,160	29,160
		10,477,883	11,662,935

		At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
	<i>Note</i>		
Current liabilities			
Trade and other payables	9	2,447,422	2,660,829
Contract liabilities		189,661	414,969
Taxation payable		195,514	262,256
Bank and other borrowings		2,742,356	3,545,995
Lease liabilities		921,467	889,552
		<u>6,496,420</u>	<u>7,773,601</u>
Net current assets		<u>3,981,463</u>	<u>3,889,334</u>
Total assets less current liabilities		<u>9,362,688</u>	<u>9,617,181</u>
Non-current liabilities			
Deferred tax liabilities		73,063	85,658
Lease liabilities		1,571,491	1,825,445
		<u>1,644,554</u>	<u>1,911,103</u>
Net assets		<u><u>7,718,134</u></u>	<u><u>7,706,078</u></u>
Capital and reserves			
Share capital		46,688	46,685
Reserves		7,572,372	7,565,889
Equity attributable to owners of the Company		<u>7,619,060</u>	<u>7,612,574</u>
Non-controlling interests		99,074	93,504
Total equity		<u><u>7,718,134</u></u>	<u><u>7,706,078</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules” respectively) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are consistent with those of the annual financial statements for the year ended December 31, 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on these condensed consolidated financial statements. Changes in presentation and disclosure on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending December 31, 2020.

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 commissions from concessionaire sales. The Group's results and revenue are reported as a whole on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of performance assessment and resource allocation. No other discrete financial information is available for resources allocation on the Group's business.

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

	For the six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	11,690,618	13,301,005
Commissions from concessionaire sales	49,582	70,609
	11,740,200	13,371,614

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
People's Republic of China Enterprise Income Tax		
– Current period	79,478	203,584
– (Over) underprovision in prior periods	(11,125)	6,646
Current tax charge – total	68,353	210,230
Deferred tax credit	(18,104)	(20,959)
	50,249	189,271

5. FINANCE COSTS / PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(a) Finance costs		
Interest expense on bank and other borrowings	69,969	74,596
Interest expense on lease liabilities	61,059	42,466
	<u>131,028</u>	<u>117,062</u>
(b) Profit for the period		
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	1,211,732	1,514,384
Depreciation of right-of-use assets	567,832	368,876
Depreciation of property, plant and equipment	273,466	218,102
Net changes in allowance for inventories (included in cost of sales)	(28,222)	(42,383)
Amortisation of intangible assets (included in selling and distribution expenses)	51,483	52,117
Impairment loss on interest in a joint venture	–	9,987
Gross rental income from investment properties, net of direct expenses	(1,995)	(1,985)
Loss on disposal of property, plant and equipment (included in other operating income and gains (losses))	16,830	15,063
Impairment losses (reversal of impairment losses) recognised on trade and other receivables, net (included in other operating income and gains (losses))	4,934	(668)
	<u>4,934</u>	<u>(668)</u>

For the six months ended June 30, 2020 and 2019, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

6. DIVIDENDS

For the six months ended June 30,	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Dividends recognised as distribution during the period:

2019 final dividend of nil per share (six months ended June 30, 2019: 2018 final dividend of HK\$0.025 per share)	–	115,326
	<u> </u>	<u> </u>

During the current interim period, the Directors of the Company resolved not to recommend payment of a final dividend in respect of the year ended December 31, 2019 (six months ended June 30, 2019: 2018 final dividend of HK\$0.025 per share). 2018 final dividend of approximately HK\$131,201,000 (equivalent to approximately RMB115,326,000) was paid to the shareholders of the Company (the “Shareholders”) during the six months ended June 30, 2019.

Subsequent to the end of the current interim period, the Directors of the Company have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2019: nil).

7. 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:

For the six months ended June 30,	
2020	2019
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Earnings:

Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	12,314	427,435
	<u> </u>	<u> </u>

9. TRADE AND OTHER PAYABLES

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:

	At June 30, 2020 RMB'000 (unaudited)	At December 31, 2019 RMB'000 (audited)
0 – 30 days	635,879	770,845
31 – 90 days	1,525	653
Over 90 days	5,512	1,415
	<u>642,916</u>	<u>772,913</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Model and Environment

In the beginning of 2020, the outburst of the novel coronavirus (COVID-19) pandemic (the “Pandemic”) in China and the world brought uncertainties and challenges to the China economy. However, the government of China has been taking timely and stringent measures to refrain people from gathering and commuting from places to places. Together with vast medical resources, the Pandemic in China was relieved to a great extent in a few months and consumers were starting to restore their daily lives with cautions from April 2020.

The long lasting athleisure trends in China, such as growing fitness and health awareness, higher sports participation rates, growing level of sports services subscriptions, and government policies to boost sports consumption, strengthens the Group's confidence that demand and recovery of sportswear and sports services in China remain intact. During the period under review, the Group swiftly adapted to the changing environment, by launching contingency plans and accelerating the implementation of several initiatives to mitigate the impact of the Pandemic. These measures included scaling up the accessibility and content of its omni-channels and further improving the operational efficiency of its offline channels. As it navigated the challenging operational environment, the Group continued to move 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.”.

Operating Refinement and Efficiency

The Group's brick and mortar ("B&M") stores have progressively resumed operations since late-March 2020. Since then, the Group implemented promotional plans, with the support of its brand partners, to increase inventory sell-through while integrating offline and online channels. As a result, the growth of the Group's sales returned to positive territory on a year-on-year basis in May and June, 2020.

The Group continued to enhance its experience-driven B&M stores while closing down low-efficiency and underperforming stores during the period to further increase its operational efficiency. As at June 30, 2020, the Group's retail network consisted of 5,597 directly operated stores and 3,839 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	June 30, 2020	June 30, 2019
At the beginning of the period	5,883	5,648
Net (decrease)/increase in the number of stores	<u>(286)</u>	<u>247</u>
At the end of the period	<u>5,597</u>	<u>5,895</u>

The Group worked closely with brand partners to reduce level of inventories, while extending the payment term and monitoring the receivables. Its working capital days returned to a pleasant level of 155 days for the first six months of 2020, as compared with 200 days for the first quarter of the year. Meanwhile, the Group implemented several cost control measures, including rent negotiation with landlords, headcounts control and application for government remedial subsidies. As a result, the Group recorded strong V-shape rebound from its first quarter loss, and turned into profit in the second quarter of year 2020.

Digital Transformation

Integration of the Group's omni-channels has been accelerated further during the Pandemic. Omni-channel sales grew by over 20% (YOY) during the first half of 2020. This included sales attributed to the strategic alliances with prominent online partners, as well as the new WeChat stores that were launched in February this year. Encouragingly, the share of B2C omni-channel sales increased significantly during the first half of 2020 as compared with the same period of last year, with the Group continuing to prioritise investment and allocate resources to its online B2C channels.

The Pandemic in early 2020 profoundly changed consumer in China as many consumers are getting used to shopping from physical stores to digital channels. In response to that, the Group accelerated the application of digital transformation by launching WeChat stores, mini-programs and mobile payment in the B&M stores. In addition, the Group reinforced its product sharing platform ("PSP") to share the products across different platforms and reduce idle inventory.

Sports Services Provider

B&M retail channels still remain a critical and irreplaceable sales touchpoint for consumers who seek a unique and personalised shopping experience for sports products and services. Although many of the Group's capital expenditure projects in 2020 have been delayed, over the long-term, the Group will continue to invest in upgrading its B&M stores to better integrate offline store sales with its digital channels and sports services, which will enrich the consumer experience while stimulating higher-margin in-season sales. The Group's first sports services store "Next Store" opened in Taiwan in the second quarter of 2020. Apart from being a larger store, "Next Store" acts as a service hub, incorporating a wide and diverse range of retail products, alongside training services, sports events, colorful experiences, workshops, product and lifestyle consultations as well as healthy and fitness meals all derived from series of grass root sports activities organised by branch offices nationwide, greatly supporting the growth of the Group's omni-channel capabilities. Each of these services is modularised so that they can be easily customised and integrated into the Group's other B&M stores as required. The Group initiated different story contents and intellectual property ("IP") activities/events to attract consumers through the B&M stores and digital platforms. Meanwhile, by adding different types of sports services to "Next Store", the first "Next Store" in Taiwan was already reporting satisfactory results, such as high conversion rates and widespread community interest. More "Next Stores" are in the pipeline in the second half of 2020 to enhance the consumer experiences and facilitate the sales growth via omni-channels.

The Group organised numerous online sports events to maintain its engagement with customers during the first half of 2020. It also continues to leverage the YYsports mobile application in Greater China region, which boosts the Group's ExP ('Energy x Power') programme and offers diversified sports services contents, interactive features, and other related services to support in-depth customer relationship management and to facilitate a seamless online and offline customer experience.

The Group's continued investments in digitalisation and sports services are essential for developing its unique core competencies, maintaining its competitiveness and supporting its long-term development. Through these aforementioned efforts, the Group is confident that it will overcome various challenges and manage rising costs, while capturing long-term opportunities.

Performance Analysis

Financial Review

For the first half of 2020, the Group recorded revenue of RMB11,740.2 million, representing a decline of 12.2% compared with the same period of last year. Gross profit was RMB3,520.1 million, a decline of 23.7% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2020 was RMB12.3 million.

Revenue

The Group's total revenue fell 12.2% to RMB11,740.2 million in the first half of 2020, as compared with the same period of last year. The decrease was caused by the impact of the Pandemic on consumer sentiment, in particular the temporary closure of the B&M stores of the Group between Lunar New Year and mid-March 2020, as a result of the various strict control measures implemented by the government of China to contain the spread of the Pandemic. However, this decline was partially offset by the rapid growth of the Group's omni-channel business and the subsequent sales improvement in the second quarter of year 2020.

Gross Profit

The Group's gross profit for the first half of 2020 amounted to RMB3,520.1 million, with a gross profit margin of 30.0%. The 4.5 percentage points decline in the gross profit margin, as compared to 34.5% in the same period of last year, was mainly attributed to increased promotional activities in order to motivate customer demand following the re-opening of the Group's B&M stores in China after the Pandemic lockdowns.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses and administrative expenses in the first half of 2020 were RMB3,459.2 million, a decline of 14.0% compared to the same period of last year. This was equivalent to 29.5% of total revenue, a decrease of 0.6 percentage point year-on-year. The decrease was attributable to strict cost control measures, accessing of government subsidies and positive rent negotiations.

Operating Profit

The Group's operating profit in the first half of 2020 was RMB201.8 million, with an operating margin of 1.7%.

Profit for the Period

As a result of the aforementioned efforts, the Group recorded a net profit of RMB17.4 million in the first half of 2020.

Working Capital Efficiency

The average inventory turnover period for the first half of 2020 was 146 days (first half of 2019: 139 days). The inventory efficiency held up well, attributable to efficient in-season procurement adjustment and prompt promotional activities. The balance of inventory as at June 30, 2020 recorded a three-year low of RMB5,167.0 million, thanks to the Group's continued effort in diligently managing inventory levels to optimise working capital efficiency. The average trade receivables turnover period in the first half of 2020 was 25 days (first half of 2019: 25 days), which remained consistent with the credit terms of 30 to 60 days that the Group gave its department store counters and retail distributors. The average trade and bills payables turnover period in the first half of 2020 was 16 days (first half of 2019: 10 days).

Liquidity and Financial Resources

As at June 30, 2020, the Group had a record high level of cash and cash equivalents, which amounted to RMB1,616.2 million (December 31, 2019: RMB613.6 million), while working capital (current assets minus current liabilities) was RMB3,981.5 million (December 31, 2019: RMB3,889.3 million). Total bank and other borrowings were at the lowest level since 2018, amounting to RMB2,742.4 million (December 31, 2019: RMB3,546.0 million) and are repayable within one year. In addition, the Group settled a related party loan amounting to RMB555.0 million during the period. Bank and other borrowings were mainly denominated in Renminbi and so were cash and cash equivalents.

The Group's gearing ratio as of June 30, 2020, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 35.5% (December 31, 2019: 46.0%).

During the first half of 2020, the net cash generated from operating activities was RMB2,719.4 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 the first half of 2020 was RMB273.7 million, while the net cash used in financing activities was RMB1,445.1 million. During the first half of 2020, the Group raised and repaid bank and other borrowings of RMB2,154.7 million and RMB2,960.3 million respectively.

Capital Expenditure

Due to the Pandemic, much of the Group's planned capital expenditure for the opening of new stores, upgrading existing store formats, and expanding new concept and mega stores to provide a better shopping experience, had been delayed. As a result, the Group's capital expenditure in the first half of 2020 primarily comprised of injecting new resources into its online and sports services platform, as well as selectively opening new stores. During the first half of 2020, the total capital expenditure declined to RMB163.3 million (first half of 2019: RMB290.7 million). As at June 30, 2020, 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 June 30, 2020, the Group had no significant hedging instruments for managing its foreign exchange exposure. As the exchange rate of Renminbi 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 first half of 2020.

Prospects and Future Developments

The Group's short-term performance will be influenced by the pace of consumption recovery. Foot traffic and sales activities at the Group's B&M stores have progressively increased since the resumption of operations, though it is yet to fully recover with fluctuating activity levels. Nevertheless, the Group continues to see accelerated sales growth in its omni-channels.

The Group's management remains optimistic about the longer-term growth opportunities within the China sportswear and sports consumption markets, which will continue to be supported by rising health awareness, growing sports participation rates, and the growth of athleisure trend in the Greater China region.

There are signs that policy makers will support consumption in the sports sector, with various governments at the local and provincial levels issuing coupons to support the consumptions of sports products and services, while the General Administration of Sport of China has recently announced a trial programme in selected cities to boost sports consumption through tax incentives, fee subsidies and government services. 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, especially as social-distancing measures are relaxed further.

Nevertheless, there is a risk that the Group's short-to-medium term performance may be impacted by a potential second wave of infections, global economic uncertainties and the extended delay or cancellation of large-scale sports events.

The Group will aim to recommence the organisation of IP sports events in the Greater China region, as well as events licensed by sports event companies, organised with local governments or in partnership with global brand partners.

In light of the continued uncertainties, the Group will be taking a prudent approach on capital expenditure for the remainder of 2020, while not compromising on growth opportunities. The level of expenditure will hinge on the pace of the resumption of sports events and any signs of a second wave of the Pandemic in China. However, the Group will continue to invest in its omni-channels to facilitate further sales growth.

The Group will also continue to invest in its digital platform and business intelligence system to better support its inventory management, optimise its resources and improve the efficiency of its working capital. It will also continue to drive its offline and online sales growth and margin growth through its PSP and dashboard implementation.

The Group will continue to expand the scale of its interaction with consumers to 365-day communications and encourage normal-day sales by cooperating with current and potential brand 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 June 30, 2020, the Group had approximately 34,200 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: nil).

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 June 30, 2020, an aggregate of 31,125,000 ordinary shares of the Company (the “Shares”) have been issued and an aggregate of 2,332,640 Shares may be issued upon full 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 six months ended June 30, 2020, 1,500,000 share awards were granted, 9,775,370 share awards lapsed or were cancelled and 4,305,000 share awards were vested under the Share Award Scheme. As at June 30, 2020, an aggregate of 30,162,800 share awards which are subject to certain vesting conditions, remain unvested.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2020, 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 (six months ended June 30, 2019: nil).

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2020, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

Deloitte Touche Tohmatsu, certified public accountants, the independent auditor of the Company has reviewed the unaudited condensed consolidated interim financial information for the six months ended June 30, 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

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 Listing Rules throughout the six months ended June 30, 2020.

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 six months ended June 30, 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 interim report 2020 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 period.

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, August 13, 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