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, 2020

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
Financial performance	**2020**	2019	**Change**
	RMB'000	*RMB'000*	
Revenue	**25,611,125**	27,189,765	**-5.8%**
Gross profit	**7,826,305**	9,275,469	**-15.6%**
Operating profit	**661,403**	1,471,932	**-55.1%**
Profit attributable to owners of the Company	**302,840**	833,275	**-63.7%**
Gross profit margin *(%)*	**30.6%**	34.1%	**-3.5 ppt**
Operating profit margin *(%)*	**2.6%**	5.4%	**-2.8 ppt**
Basic earnings per share *(RMB cents)*	**5.75**	15.87	**-63.8%**

	As at December 31,		
Financial position	**2020**	2019	
	RMB'000	*RMB'000*	
Inventories	**5,869,541**	8,021,487	**-26.8%**
Trade and other receivables	**3,360,206**	2,993,538	**12.2%**
Bank balances and cash	**1,742,290**	613,591	**183.9%**
Bank and other borrowings	**1,948,679**	3,545,995	**-45.0%**

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, 2020 with comparative figures for the corresponding year in 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	3	**25,611,125**	27,189,765
Cost of sales		**(17,784,820)**	(17,914,296)
Gross profit		**7,826,305**	9,275,469
Other operating income and gains (losses)		**340,284**	377,306
Selling and distribution expenses		**(6,741,868)**	(7,168,952)
Administrative expenses		**(763,318)**	(1,011,891)
Operating profit		**661,403**	1,471,932
Finance costs		**(251,825)**	(247,522)
Finance income		**18,773**	8,335
		(233,052)	(239,187)
Share of results of joint ventures		**15,364**	1,072
Other gains (losses)	4	**(10,660)**	(9,351)
Profit before taxation		**433,055**	1,224,466
Income tax expense	5	**(118,395)**	(344,556)
Profit for the year	6	**314,660**	879,910
Attributable to:			
Owners of the Company		**302,840**	833,275
Non-controlling interests		**11,820**	46,635
		314,660	879,910
Earnings per share	8		
– Basic		**RMB5.75 cents**	RMB15.87 cents
– Diluted		**RMB5.72 cents**	RMB15.73 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**314,660**	879,910
Other comprehensive income (expense)		
An item that will not be reclassified to profit or loss		
Fair value gain on investments in equity instrument at fair value through other comprehensive income	**827**	–
An item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**1,594**	(505)
Other comprehensive income (expense) for the year	**2,421**	(505)
Total comprehensive income for the year	**317,081**	879,405
Attributable to:		
Owners of the Company	**305,337**	832,905
Non-controlling interests	**11,744**	46,500
	317,081	879,405

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Investment properties		**94,700**	94,700
Property, plant and equipment		**1,294,239**	1,354,186
Right-of-use assets		**3,246,941**	2,931,822
Deposits paid for acquisition of property, plant and equipment		**60,583**	87,103
Rental deposits		**183,988**	178,427
Intangible assets		**180,351**	283,311
Goodwill		**522,163**	533,247
Interests in joint ventures		**378,779**	253,415
Equity instrument at fair value through other comprehensive income		**3,149**	2,323
Deferred tax assets		**64,288**	9,313
		6,029,181	5,727,847
Current assets			
Inventories		**5,869,541**	8,021,487
Trade and other receivables	9	**3,360,206**	2,993,538
Taxation recoverable		**639**	5,159
Bank balances and cash		**1,742,290**	613,591
		10,972,676	11,633,775
Non-current assets classified as held for sale		**20,412**	29,160
		10,993,088	11,662,935

	Note	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	10	**3,234,451**	2,660,829
Contract liabilities		**585,863**	414,969
Taxation payable		**185,517**	262,256
Bank and other borrowings		**1,948,679**	3,545,995
Lease liabilities		**1,047,232**	889,552
		7,001,742	7,773,601
Net current assets		**3,991,346**	3,889,334
Total assets less current liabilities		**10,020,527**	9,617,181
Non-current liabilities			
Deferred tax liabilities		**60,442**	85,658
Lease liabilities		**2,084,055**	1,825,445
		2,144,497	1,911,103
Net assets		**7,876,030**	7,706,078
Capital and reserves			
Share capital		**46,688**	46,685
Reserves		**7,723,513**	7,565,889
Equity attributable to owners of the Company		**7,770,201**	7,612,574
Non-controlling interests		**105,829**	93,504
Total equity		**7,876,030**	7,706,078

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 parent 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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 to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 executive directors of the Company, for the purposes of performance assessment and resource allocation. No other discrete financial information is presented other than entity-wide disclosures.

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

	2020	2019
	RMB'000	*RMB'000*
Sales of sportswear and footwear products	**25,499,253**	27,052,466
Commissions from concessionaire sales	**111,872**	137,299
	25,611,125	27,189,765

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

	2020	2019
	RMB'000	*RMB'000*
Impairment loss recognised on interest in a joint venture	**–**	(9,987)
Reversal of impairment loss recognised on loan to a joint venture	**514**	636
Impairment loss recognised on goodwill	**(11,174)**	–
	(10,660)	(9,351)

5. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Taxation attributable to the Company and its subsidiaries:		
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT") *(note)*		
– Current year	**211,400**	374,172
– (Over) underprovision in prior years	**(12,813)**	5,551
Current tax charge	**198,587**	379,723
Deferred tax credit	**(80,192)**	(35,167)
	118,395	344,556

note:

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 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 engaged in the business activities under the New Catalogue. The Directors consider that the relevant subsidiaries were eligible for the preferential tax rate of 15% until the relevant business activities were no longer included in the New Catalogue.

6. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	**3,251**	2,770
Retirement benefit scheme contributions, excluding directors and the chief executive	**170,607**	428,230
Equity-settled share-based payments, excluding directors and the chief executive	**(3,261)**	18,872
Other staff costs	**2,339,228**	2,547,958
Total staff costs	**2,509,825**	2,997,830
Auditor's remuneration	**5,164**	5,301
Depreciation of property, plant and equipment	**541,140**	473,732
Depreciation of right-of-use assets	**1,182,650**	888,960
Net changes in allowance for inventories	**(24,157)**	(61,026)
Amortisation of intangible assets (included in selling and distribution expenses)	**102,965**	104,876
Gross rental income from investment properties, net of direct expenses	**(3,532)**	(4,266)

For the years ended December 31, 2020 and 2019, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

For the year ended December 31, 2020, novel coronavirus (COVID-19) pandemic (the "Pandemic") related government grants/assistances amounted to RMB155,683,000 were deducted from staff costs.

7. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Dividends recognised as distribution during the year:		
2019 final dividend of nil per share (2019: 2018 final dividend of HK$0.025 per share)	**–**	115,326

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, 2020 (2019: nil).

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:

	2020	2019
	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	**302,840**	833,275

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,264,380,698**	5,250,572,849
Effect of dilutive potential ordinary shares:		
– Share options	**28,563**	393,059
– Unvested awarded shares	**30,465,111**	47,156,369
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,294,874,372**	5,298,122,277

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.

The computation of diluted earnings per share for the year ended December 31, 2020 does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market price of shares for the year ended December 31, 2020.

9. TRADE AND OTHER RECEIVABLES

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:

	2020	2019
	RMB'000	*RMB'000*
0 - 30 days	**1,634,315**	1,297,831
31 - 90 days	**68,601**	107,056
Over 90 days	**47**	2,636
	1,702,963	1,407,523

10. TRADE AND OTHER PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
0 - 30 days	**1,451,157**	770,845
31 - 90 days	**8,033**	653
Over 90 days	**7,170**	1,415
	1,466,360	772,913

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Model and Environment

Business Environment

The unprecedented and fast-spreading Pandemic brought about uncertainties and challenges that disrupted economic activities and growth around the world. The lockdowns in China in the first quarter of 2020 inevitably harmed demand and footfall in the brick and mortar ("B&M") store network operated by the Group across China. This in turn affected the operational and financial performance of the Group.

However, the Group swiftly adapted to the changing environment, which both accelerated and provided further impetus for implementing its strategies for scaling up the accessibility and content of its omni-channels and put more emphasis on our five major brands. It also supported the Group's continued efforts to improve cross-platform integration and the operational efficiency of its offline channels. As it navigated the challenging operational environment and sustained its sales momentum, the Group continued to uphold its long-term objectives and 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."

Channel Management – B&M

The Group's B&M store network was the sales channel most severely impacted by the Pandemic. The offline sales momentum has started to normalise since the second quarter of the year as the Group implemented promotional plans, with the support of its sales partners, to increase inventory sell-through while further integrating its offline and online channels.

The Group continued to enhance its experience-driven B&M stores during the year, selectively opening larger-format stores with more experience-driven facilities while closing down non-contributing and underperforming stores to increase its operational efficiency. As at December 31, 2020, the Group's retail network consisted of 5,240 directly operated stores and 3,835 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the year ended:

	December 31, 2020	December 31, 2019
At the beginning of the year	**5,883**	5,648
Net (decrease)/increase in the number of stores	**(643)**	235
At the end of the year	**5,240**	5,883

In terms of the number of directly operated stores, we recorded a net decrease of 643 stores with gross selling area increasing by low single digit as at December 31, 2020 as compared with December 31, 2019. The percentage of stores with selling area over 300 m^2 continued to grow. As at December 31, 2020, stores with selling area over 300 m^2 accounted for 13.0%, representing an increase of 4.2 percentage points as compared with December 31, 2019.

During the Pandemic, the Group focused on optimising the store composition, by upgrading high profiting stores and accelerating the closure of low-productivity and loss-making stores. The efficiency of store operations would increase as the Pandemic relieves.

B&M retail channels remain a critical and irreplaceable sales touchpoint for consumers who seek an unique and personalised shopping experience for sports products and services. Although many of the Group's capital expenditure projects were delayed in 2020 due to the Pandemic, over the long-term, the Group will continue to invest in upgrading its B&M stores while connecting offline store sales with its digital channels and sports services to enrich the consumer experience and stimulate more higher-margin in-season sales.

Numbers and percentages of directly operated stores by size:

	December 31, 2020		December 31, 2019	
	Number	**%**	Number	%
Selling area				
300 m^2 or smaller	**4,558**	**87.0**	5,363	91.2
Larger than 300 m^2	**682**	**13.0**	520	8.8
Total	**5,240**	**100.0**	5,883	100.0

Channel Management – Omni-channels

The Group accelerated the further integration of its omni-channels during the Pandemic. In addition, the Group made significant improvements in business flow efficiency of omni-network, formed strategic alliances with prominent online partners, as well as launched WeChat stores in February 2020 to further connect with consumers.

In addition to providing a new and flexible way to attract online customers, the Group's WeChat stores serve as an extension of its B&M network, providing quality customer services conducted by designated Key Opinion Staff. The Group's ExP (Energy x Power) membership platform is also introduced into its WeChat stores to provide value-added services and diverse content to customers. Driven by these continued efforts, prioritised investment and resources injected in its online B2C channels, the contribution of the Group's online B2C channels to its overall omni-channel sales increased in 2020.

Investment in Sports Services

While physical sports events were curtailed across China due to the Pandemic, the Group organised numerous online sports events throughout 2020 to maintain its engagement with customers. It also continued to leverage the YYsports mobile application in the Greater China region, boosting the Group's ExP programme while offering diversified sports services content, 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 first sports services store 'Next Store' opened in Taiwan in the second quarter of 2020. More than just a large-format store, 'Next Store' acts as a service hub: incorporating a wide and diverse range of retail products, alongside training services, sports events, colourful experiences, workshops, product and lifestyle consultations, as well as health and fitness meals – all derived from grass root sports activities organised by branch offices nationwide. These services will further support the growth of the Group's omni-channel capabilities and are being modularised so that they can be easily customised and integrated into the Group's other B&M stores later as required. The Group is also continuing to add different story contents and intellectual property activities/events to attract consumers to its B&M stores and digital platforms.

Adding a sports services element to the 'Next Store' is proved to be a successful formula. Since its opening, the first 'Next Store' in Taiwan has recorded highly satisfactory results, including excellent conversion rates and widespread community interest. More 'Next Stores' are in the pipeline in 2021 and beyond, including a new 'Next Store' in Shenyang – the Group's second – which will continue to enhance the consumer experience and facilitate sales growth across the omni-channels.

Operational Excellence

Throughout the year, the Group closely monitored its receivables while extending payment terms. Its working capital days further improved to a pleasant level of 142 days for the 2020 financial year, compared to 155 days for the first six months of 2020 and 200 days for the first quarter of 2020. Meanwhile, the Group implemented several cost control measures, including rent negotiation with landlords and headcount control, and applied for government remedial subsidies. As a result, the Group saw an encouraging moderate rebound following the loss in the first quarter of 2020, returned to profit in the second quarter of 2020 and maintained this profitable momentum in the second half of 2020.

The Group reinforced its product sharing platform ("PSP") to more efficiently share products across different platforms, optimise its inventory mix and reduce idle inventory. It also continued to invest in its business intelligence system and digital tools to increase its operational excellence and operational efficiency, particularly in real-time in-store efficiency and resource optimisation.

The Group's continued investments in its omni-channels and sports services remain 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 increasing costs while capturing long-term opportunities.

Performance Analysis

Financial Review

In 2020, the Group recorded revenue of RMB25,611.1 million, representing a decline of 5.8% compared with the 2019 financial year. Gross profit was RMB7,826.3 million, a decline of 15.6% when compared to the 2019 financial year. Profit attributable to owners of the Company in 2020 was RMB302.8 million.

Revenue

The Group's total revenue in 2020 dropped by 5.8% to RMB25,611.1 million, as compared with the 2019 financial 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, the negative impact was partially offset by the rapid growth of the Group's omni-channel business and a progressive recovery in sales starting from the second quarter of 2020, supported by stabilising consumer sentiment.

	For the year ended December 31,		
	2020	2019	**Change**
	RMB million	*RMB million*	
Revenue	**25,611.1**	27,189.8	**-5.8%**
Cost of sales	**(17,784.8)**	(17,914.3)	**-0.7%**
Gross profit	**7,826.3**	9,275.5	**-15.6%**
Gross profit margin *(%)*	**30.6%**	34.1%	**-3.5 ppt**

Gross Profit

The Group's gross profit in 2020 amounted to RMB7,826.3 million with a gross profit margin of 30.6%. The gross profit margin declined 3.5 percentage points compared to the 2019 financial year, which 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 Pandemic-related lockdowns, especially in the first half of the year.

Selling & Distribution Expenses and Administrative Expenses

Selling and distribution expenses in 2020 were RMB6,741.9 million (2019: RMB7,169.0 million), accounting for 26.3% of the Group's revenue (2019: 26.4%). The selling and distribution expenses primarily include concessionaire fee, depreciation of right-of-use assets in relation to stores, sales personnel salaries and commissions, other depreciation and amortisation charges, and other expenses which mainly include store operation expenses, property management fees, logistic expenses and online service fees.

General and administrative expenses in 2020 were RMB763.3 million (2019: RMB1,011.9 million), accounting for 3.0% of the Group's revenue (2019: 3.7%). The general and administrative expenses primarily include management and administrative personnel salaries, depreciation and amortisation charges and other expenses.

The Group's selling and distribution expenses and administrative expenses in 2020 were RMB7,505.2 million, a decline of 8.3% compared to the 2019 financial year. This was equivalent to 29.3% of total revenue, a decrease of 0.8 percentage point year-on-year. The decrease was attributable to strict cost control measures, efficiency improvements and positive rent negotiations.

Operating Profit

The Group's operating profit in 2020 was RMB661.4 million, with an operating margin of 2.6%.

Finance Income and Finance Cost

Finance income increased from RMB8.3 million in 2019 to RMB18.8 million in 2020. It was mainly due to increase in bank deposits and an interest-bearing receivable from a joint venture during the year. Finance costs increased from RMB247.5 million in 2019 to RMB251.8 million in 2020, primarily as a result of an increase in interest expense on lease liabilities, as the Group previously opened new stores with greater selling area under lease agreements resulted in higher lease liabilities.

Profit for the Year

As a result of the aforementioned efforts, the Group recorded a net profit of RMB314.7 million in the 2020 financial year.

Working Capital Efficiency

The average inventory turnover period for 2020 further improved to 143 days (2019: 150 days). Inventory efficiency was resilient as a result of efficient in-season procurement adjustment and prompt promotional activities. The balance of inventory as at December 31, 2020 was RMB5,869.5 million as a result of the Group's continued effort in diligently managing inventory levels to optimise working capital efficiency. The average trade receivables turnover period was 22 days (2019: 21 days), which remained consistent with the credit terms of 30 to 60 days to department store counters and wholesale customers. The average trade payables turnover period in 2020 was 23 days (2019: 15 days).

Liquidity and Financial Resources

As at December 31, 2020, mainly due to the increase in operating efficiency and asynchronous payment date, the Group had a record high level of cash and cash equivalents, which amounted to RMB1,742.3 million (December 31, 2019: RMB613.6 million), while working capital (current assets minus current liabilities) was RMB3,991.3 million (December 31, 2019: RMB3,889.3 million). Total bank and other borrowings was further reduced to RMB1,948.7 million (December 31, 2019: RMB3,546.0 million) and are repayable within one year. In addition, the Group settled the loans from a related party outstanding as at December 31, 2019 amounting to RMB555.0 million. 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, 2020, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 24.7% (December 31, 2019: 46.0%).

The net cash generated from operating activities in 2020 was RMB5,119.3 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 2020 was RMB924.8 million, while the net cash used in financing activities was RMB3,067.4 million. In 2020, the Group raised and repaid bank and other borrowings of RMB3,349.6 million and RMB4,946.8 million respectively.

Capital Expenditure

Due to the Pandemic, many of the Group's planned capital expenditure projects, such as opening of new stores, upgrading existing store formats, and expanding new concept and mega stores to provide a better shopping experience, were delayed. As a result, the Group's capital expenditure in 2020 primarily comprised of injecting new resources into its online and sports services platform, as well as selectively opening new stores. Total capital expenditure in 2020 declined to RMB585.0 million (2019: RMB807.1 million). As at December 31, 2020, the Group had no material capital commitments and contingent liabilities.

Foreign Exchange

The Group conducts its business primarily in the Greater China region and the majority of its transactions are denominated in Renminbi. As at December 31, 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 in 2020 were in accordance to the Group's internal policies and guidelines.

PROSPECTS AND FUTURE DEVELOPMENTS

The Group's sales recovery in the second to fourth quarters of 2020 underscores the true depth of the long-term growth opportunities present in China's sportswear and sports consumption markets, which will continue to be supported by increasing health awareness, growing sports participation rates, and the growth of the athleisure trend in the Greater China region.

The Pandemic did not cause consumers to break their exercise habits and spending on sports products. In a recent research conducted by the China Sporting Goods Federation and AC Nielsen during the Pandemic, 93% of respondents maintained their exercise habits and 65% said they have spent an average of RMB4,000 on sports products. The government is also continuing to provide official support for growing consumption in the sports sector. In August 2020, the General Administration of Sports selected 40 'Sports Consumption Trial Cities' to support the building of sports infrastructure. In September 2020, China's State Council called for the construction of more digitalised fitness centres and gymnasiums to promote 'Internet+Fitness'.

The Group will continue to priortise the acceleration of its digital transformation strategy in 2021 as its main goal, especially the Pandemic has permanently changed customers' shopping habits. As a result, the Group will maintain its strategy of closing smaller and underperforming stores in favour of larger-format stores which also offer premium sports services to customers and efficiently and seamlessly complement and integrate with omni-channels. With the Group's continuous diversification of the omni-channels and effective inventory management, B2C sales will continue to outstrip B2B sales. This will be further supported by new B2C channels such as the Group's 'Pan-WeChat Ecosphere', namely through new sales brought in by its WeChat stores and Douyin live-streaming shopping events, together with stronger partnerships with major platforms that encourage both in-store and omni-channel sales.

The Group will also continue to enhance its business intelligence system and invest in its digital tools 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 reinforce its in-season sell-through and effective off-season clearance, and its margin growth through its PSP, dashboard implementation, more effective inventory management and better procurement strategy.

The Group will resume its capital expenditure plan in 2021, which includes the on-going upgrade and expansion of its experience-driven B&M stores for offering better shopping experience, as well as the further optimisation of online and retail networks for capturing growth opportunities. However, the actual level of capital expenditure will vary depending on the extent of possible regional outbreaks of the Pandemic in China.

The Group will continue to increase its interaction with consumers to 365-day communications and encourage normal-day sales by cooperating with brand partners and connecting brands' products to relevant sports events and services. With the aforementioned efforts, the Group is well-positioned to benefit from the industry recovery, increasing health consciousness among consumers post-Pandemic and supportive government measures.

With vaccination programmes set to be rolled out soon across China and the rest of the world, the Group is optimistic about its prospects in the coming years, especially as the nation gears up for Beijing 2022 Winter Olympics. There is substantial scope of long-term growth opportunities that will maximise returns for the Group's customers, partners, employees and shareholders.

HUMAN RESOURCES

As at December 31, 2020, the Group had approximately 33,300 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 share awards 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, 2020, an aggregate of 31,125,000 ordinary shares of the Company (the "Shares") have been issued and an aggregate of 1,166,320 Shares may be issued upon exercise of share options granted under the Share Option Scheme. As at the date of this announcement, the total number of Shares available for issue under the Share Option Scheme is 1,166,320, representing approximately 0.02% of the issued Shares.

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, 2020, 1,500,000 share awards were granted, 10,638,170 share awards lapsed or were cancelled and 14,007,800 share awards were vested under the Share Award Scheme. As at December 31, 2020, an aggregate of 19,597,200 share awards which are subject to certain vesting conditions, remain unvested.

ANNUAL GENERAL MEETING

The forthcoming 2021 annual general meeting of the Company will be held on Friday, May 28, 2021 (the "2021 AGM"). Notice of the 2021 AGM will be published and issued to the Shareholders in due course.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended December 31, 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to attend and vote at the 2021 AGM (the "Entitlement to 2021 AGM"), the register of members of the Company will be closed from Monday, May 24, 2021 to Friday, May 28, 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2021 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 21, 2021. The record date for Entitlement to 2021 AGM will be on Friday, May 28, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2020, the trustee of the Share Award Scheme, pursuant to the terms of the rules and the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 84,270,000 Shares at a total consideration of approximately HK$166.4 million (approximately RMB144.2 million).

Save as disclosed above, 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 (2019: nil) during the year.

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, 2020, 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, 2020, consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2020, and the related notes thereto 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 23, 2021. 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, 2020, 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, 2020.

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 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 year.

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, March 23, 2021

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