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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)

FINAL RESULTS

FOR THE YEAR ENDED DECEMBER 31, 2021

THE GROUP'S FINANCIAL HIGHLIGHTS			
Financial performance	For the year ended		Change
	December 31,		
	2021	2020	
	RMB'000	RMB'000	
Revenue	23,350,235	25,611,125	-8.8%
Gross profit	8,299,283	7,826,305	6.0%
Operating profit	928,457	661,403	40.4%
Profit attributable to owners of the Company	356,587	302,840	17.7%
Gross profit margin (%)	35.5%	30.6%	4.9 ppt
Operating profit margin (%)	4.0%	2.6%	1.4 ppt
Basic earnings per share (RMB cents)	6.86	5.75	19.3%
Dividend per share			
Final dividend (proposed) (HK\$)	0.016	–	N/A
Financial position	As at December 31,		
	2021	2020	
	RMB'000	RMB'000	
Inventories	7,578,037	5,869,541	29.1%
Trade and other receivables	2,807,379	3,360,206	-16.5%
Bank balances and cash	1,233,783	1,742,290	-29.2%
Bank borrowings	1,581,640	1,948,679	-18.8%

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, 2021 with comparative figures for the corresponding year in 2020 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	23,350,235	25,611,125
Cost of sales		(15,050,952)	(17,784,820)
Gross profit		8,299,283	7,826,305
Other operating income and gains (losses)		458,017	340,284
Selling and distribution expenses		(6,962,403)	(6,741,868)
Administrative expenses		(866,440)	(763,318)
Operating profit		928,457	661,403
Finance costs		(202,932)	(251,825)
Finance income		28,079	18,773
Share of results of joint ventures		(174,853)	(233,052)
Other gains (losses)	4	(163,512) (15,972)	15,364 (10,660)
Profit before taxation		574,120	433,055
Income tax expense	5	(198,365)	(118,395)
Profit for the year	6	375,755	314,660
Attributable to:			
Owners of the Company		356,587	302,840
Non-controlling interests		19,168	11,820
		375,755	314,660
Earnings per share	8		
– Basic		RMB6.86 cents	RMB5.75 cents
– Diluted		RMB6.84 cents	RMB5.72 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	375,755	314,660
Other comprehensive (expense) income		
<i>An item that will not be reclassified to profit or loss</i>		
Fair value (loss) gain on investments in equity instrument at fair value through other comprehensive income	(106)	827
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on the translation of foreign operations	(139)	1,594
Other comprehensive (expense) income for the year	(245)	2,421
Total comprehensive income for the year	375,510	317,081
Attributable to:		
Owners of the Company	356,342	305,337
Non-controlling interests	19,168	11,744
	375,510	317,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Investment properties		88,900	94,700
Property, plant and equipment		1,122,074	1,294,239
Right-of-use assets		2,890,219	3,246,941
Deposits paid for acquisition of property, plant and equipment		44,792	60,583
Rental deposits		168,453	183,988
Intangible assets		70,253	180,351
Goodwill		522,163	522,163
Interests in joint ventures		–	378,779
Equity instrument at fair value through other comprehensive income		3,019	3,149
Deferred tax assets		56,145	64,288
		4,966,018	6,029,181
Current assets			
Inventories		7,578,037	5,869,541
Trade and other receivables	9	2,807,379	3,360,206
Taxation recoverable		73,763	639
Bank balances and cash		1,233,783	1,742,290
		11,692,962	10,972,676
Non-current assets classified as held for sale		–	20,412
		11,692,962	10,993,088

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Current liabilities			
Trade and other payables	10	3,542,079	3,234,451
Contract liabilities		445,644	585,863
Taxation payable		40,332	185,517
Bank borrowings		1,581,640	1,948,679
Lease liabilities		978,018	1,047,232
		<u>6,587,713</u>	<u>7,001,742</u>
Net current assets		<u>5,105,249</u>	<u>3,991,346</u>
Total assets less current liabilities		<u>10,071,267</u>	<u>10,020,527</u>
Non-current liabilities			
Deferred tax liabilities		26,207	60,442
Lease liabilities		1,842,864	2,084,055
		<u>1,869,071</u>	<u>2,144,497</u>
Net assets		<u>8,202,196</u>	<u>7,876,030</u>
Capital and reserves			
Share capital		46,438	46,688
Reserves		8,049,026	7,723,513
Equity attributable to owners of the Company		8,095,464	7,770,201
Non-controlling interests		106,732	105,829
Total equity		<u>8,202,196</u>	<u>7,876,030</u>

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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of amendments to HKFRSs in the current year 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:

	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of sportswear and footwear products	23,222,060	25,499,253
Commissions from concessionaire sales	128,175	111,872
	<u>23,350,235</u>	<u>25,611,125</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment loss recognised on an intangible asset	(10,172)	–
Fair value changes on investment properties	(5,800)	–
Reversal of impairment loss recognised on loan to a joint venture	–	514
Impairment loss recognised on goodwill	–	(11,174)
	<u>(15,972)</u>	<u>(10,660)</u>

5. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Taxation attributable to the Company and its subsidiaries:		
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT") (<i>note</i>)		
– Current year	229,368	211,400
– Overprovision in prior years	(4,807)	(12,813)
	<u>224,561</u>	<u>198,587</u>
Current tax charge	224,561	198,587
Deferred tax credit	(26,196)	(80,192)
	<u>198,365</u>	<u>118,395</u>

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 for certain subsidiaries which commenced operations during the year and are eligible for PRC EIT of 15% from local tax bureaus.

6. PROFIT FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	3,244	3,251
Retirement benefit scheme contributions, excluding directors and the chief executive	350,096	170,607
Equity-settled share-based payments, excluding directors and the chief executive	4,553	(3,261)
Other staff costs	<u>2,406,214</u>	<u>2,339,228</u>
Total staff costs	<u>2,764,107</u>	<u>2,509,825</u>
Auditor's remuneration	5,807	5,164
Depreciation of property, plant and equipment	540,672	541,140
Depreciation of right-of-use assets	1,234,609	1,182,650
Net changes in allowance for inventories	32,456	(24,157)
Amortisation of intangible assets (included in selling and distribution expenses)	99,913	102,965
Gross rental income from investment properties, net of direct expenses	<u>(4,221)</u>	<u>(3,532)</u>

For the years ended December 31, 2021 and 2020, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

For the year ended December 31, 2021, novel coronavirus (COVID-19) pandemic (the "Pandemic") related government grants/assistance amounted to RMB7,865,000 (2020: RMB155,683,000) were deducted from staff costs.

7. DIVIDENDS

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2021 of HK\$0.016 per share (2020: nil) has been proposed by the Directors and will be paid to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, June 7, 2022.

The proposed final dividend is subject to approval by the Shareholders at the forthcoming 2022 annual general meeting.

8. EARNINGS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings:		
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>356,587</u>	<u>302,840</u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,194,816,603	5,264,380,698
Effect of dilutive potential ordinary shares:		
– Share options	–	28,563
– Unvested awarded shares	<u>17,765,765</u>	<u>30,465,111</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>5,212,582,368</u>	<u>5,294,874,372</u>

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 years ended December 31, 2021 and 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 years ended December 31, 2021 and 2020.

9. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 – 30 days	1,105,075	1,634,315
31 – 90 days	59,225	68,601
Over 90 days	<u>703</u>	<u>47</u>
	<u>1,165,003</u>	<u>1,702,963</u>

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	1,654,102	1,451,157
31 – 90 days	10	8,033
Over 90 days	984	7,170
	<u>1,655,096</u>	<u>1,466,360</u>

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

Retail sentiment in China was extremely volatile throughout 2021. Despite the relatively rosy macro environment at the beginning of the year, from which the Group benefited fully and recorded historical high operating margin in the first quarter of 2021, the negative factors, started in late March 2021 followed by sporadic outbreaks of the COVID-19 and extreme weather causing significant drop of store traffic as well as shifts of consumers appetites, adversely impacted the Group's performance in the latter three quarters of 2021 even the establishments of digital sales capabilities in private domain channels like WeChat, Douyin, shopping mall membership platform and public domain channels like Tmall, JD, Vipshop, etc. were in accelerated manners. Taking into account of the performance of overall China sportswear sector in second half of 2021, all experienced slowdown in revenue. International brands and their respective distributors, including the Group, all suffered during the difficult period amid declining consumer sentiment. In the fourth quarter particularly, Chinese government reintroduced social distancing and lockdown measures in various provinces in response to sporadic Pandemic outbreaks, coupled with shortage of product supply, retail market in China was facing various challenges uninterruptedly.

Despite these external challenges, the Group had been swiftly adapting to the changing retail environment in the Greater China region and achieved decent digital acceleration and established solid foundation of membership programs together with brand partners during the year. It continued to leverage and scale up its omni-channels – including public and private traffic domains – while focusing on refining, strengthening and integrating its brick and mortar (“B&M”) distribution network and improving inventory efficiency. It also deepened its collaboration with brands to prioritise early sales and create better content to end customers.

Channel Management – B&M

Sales momentum within the Group's B&M store network was very strong in the first quarter of 2021 before facing a decline in the subsequent quarters as a result of the shifts of consumer appetites, sporadic outbreaks of the Pandemic and extreme weather in the Greater China region, alongside the declining macroeconomic environment particularly in the last quarter of 2021. Closing or upgrading smaller underperforming stores while opening a select number of larger-format stores (300 m² and above) as part of the Group's ongoing channel optimisation measures. As at December 31, 2021, the Group's retail network totalled 8,417 stores, consisted of 4,631 directly operated stores and 3,786 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the year ended:

	December 31, 2021	December 31, 2020
At the beginning of the year	5,240	5,883
Net decrease in the number of stores	(609)	(643)
At the end of the year	4,631	5,240

Numbers and percentages of directly operated stores by size as at:

	December 31, 2021		December 31, 2020	
	<i>Number</i>	%	<i>Number</i>	%
Selling area				
300 m ² or smaller	3,879	83.8	4,558	87.0
Larger than 300 m ²	752	16.2	682	13.0
Total	4,631	100.0	5,240	100.0

B&M retail channels remain a critical and irreplaceable sales touchpoint for consumers in the Greater China region who want to discover new products, and experience a unique, personalised and seamless shopping experience for sports products and services. During the year under review, the Group continued to invest in optimising store formats and accelerated its digital transformation by integrating its WeChat stores, membership programme and sports services into its B&M network to enrich the consumer experience and stimulate more higher-margin in-season sales within its offline network.

Channel Management – Omni-channels

The Group further strengthened the integration of its omni-channels into its overall sales structure, deepened its engagement with brands and customers via membership programs in 2021. This includes sales made through the Group's public traffic domains that include third-party platforms such as Tmall, JD and Vipshop, as well as sales derived from its increasingly important private traffic domain – the Pan-WeChat Ecosphere – which covers its WeChat stores, Douyin live-streaming shopping events and shopping mall digital platforms.

The Pan-WeChat Ecosphere is proving to be an increasingly lucrative and effective sales channel for the Group, delivering better conversion, shortening sales cycle and with more full-price in-season sales being made at an earlier time. It aims to connect the Group's ExP (Energy x Power, membership program operated under the brand name of YYsports)

membership platform with value-added services, diverse content and member-exclusive benefits, as well as Douyin livestreams conducted by designated Key Opinion Staff. As the Group continued to invest in and allocate more resources to its private traffic domain aiming to establish sustainable consumer loyalty by providing more grass root sports related services, also focus on optimising the operations efficiency in public traffic domains throughout the year, the contribution from omni-channels to overall revenue made up of 21% of total sales in 2021, increased substantially compared to the 2020 financial year.

Investment in Sports Services

With selected sports events started to resume in China in 2021, the Group continued to organise hybrid grass root sports events to serve consumers' daily sports lives. It also continued to leverage the YYsports WeChat Mini-Program in the Greater China region, boosting the Group's ExP membership programme while offering diversified sports services content, interactive features, and other related services, to support in-depth membership management, and to facilitate a seamless online and offline customer experience.

To accelerate the development of the ExP sports services ecosystem in the Greater China region, the Group opened its second sports services store – 'Next Store' – in Shenyang in 2021 after opening its first pilot 'Next Store' in Taiwan in 2020. This new and large-scale store format is designed to support the growth of the Group's omni-channel capabilities, allowing different sports services to be modularised and customised in ways that can be easily integrated into the Group's other B&M stores as required. 'Next Stores' also act as a service hub, retailing a wide and diverse range of sporting products digitally, alongside sports travel packages, regular broadcasts, unique reading/meditation environments, café corners, 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 professional teams located in the Group's headquarters and branch offices nationwide. The continuing efforts showed significant improvements in view of the results of more stable traffic visiting Next Store and the Exp ecosphere by loyal members, which will soon generate better sales conversions and loyal consumptions on the services, include sporting goods, we organise and display in our omni-network.

Operational Excellence

The Group's working capital days increased 5 days to 147 days in 2021, compared to 142 days in the 2020 financial year. The Group continued to reinforce its product sharing platform ("PSP") and launched a pilot Omni-Hub programme with brand partners to efficiently share products across different online platforms to optimise its inventory mix and sales. In addition to this project, other inventory integration initiatives also helped dilute the pressure of inventory amid volatile market conditions throughout the year under review. The Group also continued to invest in its business intelligence system and digital tools to improve its operational excellence and drive operational efficiency, particularly in areas such as real-time in-store efficiency and resource optimisation. In

view of weak sales in second half of 2021 comparing with previous year and high shipment for Chinese New Year in January 2022, the Group's inventory turnover days increased to 163 days in the 2021 financial year, compared to 143 days in the 2020 financial year.

The Group's continued investments in its omni-channels and sports services also 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 the current challenges and manage rising costs while capturing long-term growth opportunities.

Performance Analysis

Financial Review

In 2021, the Group recorded revenue of RMB23,350.2 million, representing a decline of 8.8% compared with the 2020 financial year. Gross profit was RMB8,299.3 million, an increase of 6.0% when compared to the 2020 financial year. Profit attributable to owners of the Company in 2021 was RMB356.6 million.

Revenue

The Group's total revenue in 2021 fell 8.8% to RMB23,350.2 million as compared with the 2020 financial year. The decrease was attributed to market dynamics that negatively impacted the Group's performance, as well as sporadic Pandemic outbreaks across China throughout the second half of the year, which dampened in-store traffic and overall sales, despite the Group's strong performance attributed to the strong consumption recovery in the first quarter and the continued resilience of its omni-channels.

	For the year ended December 31,		
	2021	2020	Change
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	23,350.2	25,611.1	-8.8%
Cost of sales	(15,050.9)	(17,784.8)	-15.4%
Gross profit	8,299.3	7,826.3	6.0%
Gross profit margin (%)	35.5%	30.6%	4.9ppt

Gross Profit

The Group's gross profit in 2021 amounted to RMB8,299.3 million with a gross profit margin of 35.5%. The gross profit margin increased 4.9 percentage points compared to the 2020 financial year, which was mainly attributed to the active control of retail discounts and the Group's enhanced sales mix.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses in 2021 were RMB6,962.4 million (2020: RMB6,741.9 million), accounting for 29.8% of the Group's revenue (2020: 26.3%). The selling and distribution expenses primarily include concessionaire fees, depreciation of right-of-use assets in relation to stores, sales personnel salaries and commissions, other depreciation and amortisation charges, and other expenses that mainly include store operation expenses, property management fees, logistic expenses and online service fees.

General and administrative expenses in 2021 were RMB866.4 million (2020: RMB763.3 million), accounting for 3.7% of the Group's revenue (2020: 3.0%). 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 2021 were RMB7,828.8 million, an increase of 4.3% compared to the 2020 financial year. This was equivalent to 33.5% of total revenue, an increase of 4.2 percentage points year-on-year.

Operating Profit

The Group's operating profit in 2021 was RMB928.5 million, with an operating margin of 4.0%.

Finance Income and Finance Cost

Finance income in 2021 was RMB28.1 million, compared to RMB18.8 million in 2020. Finance costs in 2021 were RMB202.9 million, compared to RMB251.8 million in 2020, primarily as a result of a decrease in bank borrowings.

Profit for the Year

As a result of the aforementioned efforts, the Group recorded a net profit of RMB375.8 million in the 2021 financial year.

Working Capital Efficiency

The average inventory turnover period for 2021 was 163 days (2020: 143 days). The balance of inventory as at December 31, 2021 was RMB7,578.0 million as a result of the acquisition of the joint venture and as the Group stocked up on inventory ahead of the Chinese New Year holiday, that is partially offset by shortage of product supply for some brands. The average trade receivables turnover period was 22 days (2020: 22 days), which remained consistent with the credit terms of 30 to 60 days given to its department store counters and retail distributors. The average trade payables turnover period in 2021 was 38 days (2020: 23 days).

Liquidity and Financial Resources

As at December 31, 2021, the Group had solid cash and cash equivalents amounting to RMB1,233.8 million (December 31, 2020: RMB1,742.3 million), while working capital (current assets minus current liabilities) was RMB5,105.2 million (December 31, 2020: RMB3,991.3 million). Total bank borrowings further reduced to RMB1,581.6 million (December 31, 2020: RMB1,948.7 million) and are repayable within one year. Bank borrowings were mainly denominated in Renminbi and so were cash and cash equivalents. As at December 31, 2021, the Group's loans under fixed rate arrangement made up 98.9% (December 31, 2020: 97.4%) of its total bank borrowings.

The Group's gearing ratio as of December 31, 2021, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 19.3% (December 31, 2020: 24.7%). The net debt to equity ratio was 4.2% (December 31, 2020: 2.6%).

The net cash generated from operating activities in 2021 was RMB1,837.3 million. The Group's liquidity requirements are sufficiently met by the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in 2021 was RMB404.1 million, while the net cash used in financing activities was RMB1,941.4 million.

Capital Expenditure

The Group continued its strategy to target large-format experiential store offerings. This included the strategic opening of new stores, ongoing upgrades and expansion of its experience-driven B&M stores that offer a better shopping experience, store productivity improvements, as well as further optimisation of the Group's online and retail networks to capture growth opportunities. Total capital expenditure in 2021 declined to RMB452.4 million (2020: RMB585.0 million). As at December 31, 2021, the Group had no material contingent liabilities.

As at December 31, 2021, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB70.5 million (December 31, 2020: RMB140.0 million). The Group also entered into new leases for several retail stores that have not yet commenced, with an average non-cancellable period ranging from 1 to 5 years (2020: 3 to 5 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB15.3 million (December 31, 2020: RMB100.2 million).

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, 2021, 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 2021 were in accordance with the Group's internal policies and guidelines.

PROSPECTS AND FUTURE DEVELOPMENTS

As the market dynamics fades away and shortage of product supply eases, the outlook for the sports industry remains bright with national sports events, such as the Beijing 2022 Winter Olympics, further incentivising Chinese consumers to develop new exercise habits, pursue a healthy lifestyle and further develop a passion for sports. In addition, according to the National Bureau of Statistics of China, sales of garments, footwear, hats and knitwear rose by 12.7% in 2021, outperforming overall retail sales growth in the same year and demonstrating the long-term growth opportunities present in China's sportswear and sports consumption markets.

The Group will continue to accelerate its digital transformation in ways that strengthen and further diversify its omni-channels. The Group recently acquired the outstanding equity interest in its joint venture with Vipshop, which runs a well-established network with online retailers/distributors in China. This will allow the Group to strategically pivot its online focus towards more full-price in-season sales via both of its public and private domain channels, a direction that will be more margin accretive in the long term. The cessation of the joint venture agreement will also allow the Group to become less reliant on holiday promotions and improve its inventory management efficiency, strengthening the Group's omni-channel retail network strategy. The Group will continue to expand its Pan-WeChat Ecosphere to drive repeat purchases through better customer engagement and loyalty management.

Strengthening membership services will be a key focus in 2022. In January, the Group entered into a strategic partnership with one of our major brands to implement its retail concept at scale in China market. Under this strategic integrated marketplace partnership, we will connect membership services to promote the upgrade of the Group's digitally-enabled stores, allowing its customers to access member-exclusive products, offers and experiences consistent with that available at this brand's directly operated stores in China. The Group will continue to pioneer other innovative strategies with its brand partners to support membership growth, increased in-season sales volumes and maximise value for consumers.

On top of the Omni-Hub programme that is cooperatively rolled out to brand partners, the Group will also continue to enhance its business intelligence system and invest in its digital tools, such as smart product allocation artificial intelligence, dashboard and E-POS to better support its operation, optimise its inventory management and improve the efficiency of its working capital. It will also continue to drive its offline and online sales growth, reinforce its in-season sell-through and effective off-season clearance, and margin growth through its PSP, a better procurement strategy, and more effective inventory management. It will also continue to upgrade and expand its experience-driven B&M stores to offer an even more excellent shopping experience that ultimately drives further growth.

For the second time in less than fourteen years, the eyes of the sporting world were once again on Beijing. This has brought major sporting brands back to the fore of public consciousness among consumers in the Greater China region. Leveraging the above strategies and taking advantage of the government's measures to grow the sports industry, the Group aims to accelerate its growth momentum and strengthen its long-term performance and profitability.

MATERIAL ACQUISITION

On December 31, 2021, (1) Yue Cheng (Kunshan) Sports Co., Ltd (the “Purchaser”), an indirect wholly owned subsidiary of the Company, (2) Vipshop (China) Co., Ltd. (唯品會(中國)有限公司) (the “Vendor”), a subsidiary of Vipshop Holdings Limited whose shares are listed on the New York Stock Exchange, and (3) Kunshan Baowei Information Technology Co., Ltd. (“Kunshan Baowei”), a joint venture with 55% equity interest owned by the Purchaser and 45% equity interest owned by the Vendor (the “Vendor’s JV Equity Interest”), entered into an equity interest transfer agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Vendor’s JV Equity Interest (the “Acquisition”). The consideration of the Acquisition shall be equal to an amount which is equivalent to 45% of the consolidated net asset value of Kunshan Baowei and its subsidiaries as at December 31, 2021 and not exceeding RMB300 million, and shall be settled by way of transfer of inventories. According to the terms of the equity interest transfer agreement, Kunshan Baowei is considered as an indirect wholly-owned subsidiary of the Company as at December 31, 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save for the Acquisition disclosed above, the Group did not have other known plans for material investments and capital assets.

HUMAN RESOURCES

As at December 31, 2021, the Group had approximately 29,600 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 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.

The Share Option Scheme has already ceased to have any effect during the year upon the final batch of outstanding share options lapsed at the end of the day on September 1, 2021. As at December 31, 2021, there were no outstanding share options. Overall, an aggregate of 31,125,000 ordinary shares of the Company (the “Shares”) have been issued upon exercise of all the share options granted under the Share Option Scheme.

SHARE AWARD SCHEME

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

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

During the year ended December 31, 2021, 10,644,000 share awards were granted, 2,256,700 share awards lapsed or were cancelled and 12,017,000 share awards were vested under the Share Award Scheme. As at December 31, 2021, an aggregate of 15,967,500 share awards which are subject to certain vesting conditions, remain unvested.

ANNUAL GENERAL MEETING

The forthcoming 2022 annual general meeting of the Company will be held on Friday, May 27, 2022 (the “2022 AGM”). Notice of the 2022 AGM will be published and issued to the Shareholders in due course.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend in respect of the year ended December 31, 2021 of HK\$0.016 per Share (2020: nil) to the Shareholders whose names appear on the Register of Members on Tuesday, June 7, 2022, amounting to approximately HK\$85.22 million (2020: nil), subject to the approval by the Shareholders at the 2022 AGM.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2022 AGM

For the purpose of ascertaining entitlement to attend and vote at the 2022 AGM (the “Entitlement to 2022 AGM”), the Register of Members will be closed from Monday, May 23, 2022 to Friday, May 27, 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2022 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 20, 2022. The record date for Entitlement to 2022 AGM will be on Friday, May 27, 2022.

Entitlement to the proposed final dividend

For the purpose of ascertaining entitlement to the proposed final dividend (the“Entitlement to Final Dividend”), the Register of Members will be closed from Tuesday, June 7, 2022 to Friday, June 10, 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend payable on Thursday, June 23, 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, June 6, 2022. Dividend warrants will be despatched on Thursday, June 23, 2022. The record date for Entitlement to Final Dividend will be Tuesday, June 7, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2021, the Company repurchased a total of 30,668,000 (2020: nil) of its own Shares on the Stock Exchange as follows:

Month of repurchases	Number of Shares repurchased	Highest	Lowest	Aggregate
		price paid per Share <i>HK\$</i>	price paid per Share <i>HK\$</i>	consideration paid (including direct cost) <i>HK\$</i>
December 2021	30,668,000	1.25	1.10	37,016,800

The above repurchased Shares were subsequently cancelled and as a result, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

The repurchase mentioned herein was effected by the Board pursuant to the mandate granted by the Shareholders with a view to benefit Shareholders as a whole by enhancing the net asset value and earnings per Share.

During the year ended December 31, 2021, the trustee of the Share Award Scheme did not purchase any of the Shares (2020: 84,270,000).

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of Company’s Shares listed and traded on the Stock Exchange 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, 2021, 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, 2021, consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2021, 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 15, 2022. 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, 2021, 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, 2021.

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 2021 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 15, 2022

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

Executive Directors

Mr. Wu, Pan-Tsu (Chairman), Mr. Lee, Shao-Wu (Chief Executive Officer) and Mr. Liao, Yuang-Whang (Chief Financial 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