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, 2022

THE GROUP'S FINANCIAL HIGHLIGHTS

Financial performance	**For the six months ended June 30, 2022** *RMB'000* **(unaudited)**	2021 *RMB'000* (unaudited)	**Change**
Revenue	**9,864,815**	13,073,865	**-24.5%**
Gross profit	**3,495,946**	4,722,074	**-26.0%**
Operating profit	**208,329**	933,383	**-77.7%**
Profit attributable to owners of the Company	**17,413**	635,852	**-97.3%**
Gross profit margin *(%)*	**35.4%**	36.1%	**-0.7 ppt**
Operating profit margin *(%)*	**2.1%**	7.1%	**-5.0 ppt**
Basic earnings per share *(RMB cents)*	**0.34**	12.24	**-97.2%**

Financial position	**As at June 30, 2022** *RMB'000* **(unaudited)**	December 31, 2021 *RMB'000* (audited)	
Inventories	**6,649,444**	7,578,037	**-12.3%**
Trade and other receivables	**3,108,387**	2,807,379	**10.7%**
Bank balances and cash	**1,236,716**	1,233,783	**0.2%**
Bank borrowings	**2,099,883**	1,581,640	**32.8%**

RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2022 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2022

		For the six months ended June 30,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**9,864,815**	13,073,865
Cost of sales		**(6,368,869)**	(8,351,791)
Gross profit		**3,495,946**	4,722,074
Other operating income and gains (losses)		**164,243**	222,758
Selling and distribution expenses		**(3,075,931)**	(3,606,935)
Administrative expenses		**(375,929)**	(404,514)
Operating profit		**208,329**	933,383
Finance costs	5	**(91,451)**	(109,509)
Finance income		**10,583**	14,557
		(80,868)	(94,952)
Share of results of joint ventures		**–**	24,649
Other losses		**(6,274)**	(10,172)
Profit before taxation		**121,187**	852,908
Income tax expense	4	**(97,000)**	(202,640)
Profit for the period	5	**24,187**	650,268
Attributable to:			
Owners of the Company		**17,413**	635,852
Non-controlling interests		**6,774**	14,416
		24,187	650,268
Earnings per share	7		
– Basic		**RMB0.34 cents**	RMB12.24 cents
– Diluted		**RMB0.34 cents**	RMB12.20 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**24,187**	650,268
Other comprehensive expense		
An item that will not be reclassified to profit or loss		
Fair value loss on investments in equity instrument at fair value through other comprehensive income	**(1,155)**	(88)
An item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(727)**	(453)
Other comprehensive expense for the period	**(1,882)**	(541)
Total comprehensive income for the period	**22,305**	649,727
Attributable to:		
Owners of the Company	**15,531**	635,311
Non-controlling interests	**6,774**	14,416
	22,305	649,727

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2022

	Note	At June 30, 2022 *RMB'000* (unaudited)	At December 31, 2021 *RMB'000* (audited)
Non-current assets			
Investment properties		**88,900**	88,900
Property, plant and equipment		**959,723**	1,122,074
Right-of-use assets		**2,537,121**	2,890,219
Deposits paid for acquisition of property, plant and equipment		**31,639**	44,792
Rental deposits		**153,569**	168,453
Intangible assets		**66,034**	70,253
Goodwill		**522,163**	522,163
Interests in joint ventures		**–**	–
Equity instrument at fair value through other comprehensive income		**1,800**	3,019
Deferred tax assets		**84,948**	56,145
		4,445,897	4,966,018
Current assets			
Inventories		**6,649,444**	7,578,037
Trade and other receivables	8	**3,108,387**	2,807,379
Taxation recoverable		**15,717**	73,763
Bank balances and cash		**1,236,716**	1,233,783
		11,010,264	11,692,962
Assets classified as held for sale		**27,918**	–
		11,038,182	11,692,962

	Note	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Current liabilities			
Trade and other payables	9	**2,175,723**	3,542,079
Contract liabilities		**516,034**	445,644
Taxation payable		**20,528**	40,332
Bank borrowings		**2,099,883**	1,581,640
Lease liabilities		**875,562**	978,018
		5,687,730	6,587,713
Liabilities associated with assets classified as held for sale		**12,918**	–
		5,700,648	6,587,713
Net current assets		**5,337,534**	5,105,249
Total assets less current liabilities		**9,783,431**	10,071,267
Non-current liabilities			
Deferred tax liabilities		**25,388**	26,207
Lease liabilities		**1,601,737**	1,842,864
		1,627,125	1,869,071
Net assets		**8,156,306**	8,202,196
Capital and reserves			
Share capital		**46,438**	46,438
Reserves		**7,996,362**	8,049,026
Equity attributable to owners of the Company		**8,042,800**	8,095,464
Non-controlling interests		**113,506**	106,732
Total equity		**8,156,306**	8,202,196

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 amount or fair values, as appropriate.

Other than the change in accounting policy resulting from agenda decision of the International Financial Reporting Standards Interpretations Committee (the "Committee") of the International Accounting Standards Board (the "IASB"), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

2.1 Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond June 30, 2021
Amendment to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

In addition, the Group applied the agenda decision of the Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of amendments to HKFRSs and the Committee's agenda decision 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.

2.2 Impacts on application of the agenda decision of the Committee – Costs necessary to sell inventories

2.2.1 Accounting policy

The application of the Committee's agenda decision results in change in accounting policy for inventories:

Inventories

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.2.2. Transition and summary of effects

The application of the Committee's agenda decision has had no material impact on the Group's condensed consolidated financial statements and performance.

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.

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	**9,807,723**	13,008,017
Commissions from concessionaire sales	**57,092**	65,848
	9,864,815	13,073,865

4. INCOME TAX EXPENSE

	For the six months ended June 30, 2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
People's Republic of China Enterprise Income Tax		
– Current period	**103,746**	221,755
– Under (over) provision in prior periods	**9,297**	(4,252)
Withholding tax on dividend	**13,635**	–
Current tax charge – total	**126,678**	217,503
Deferred tax credit	**(29,678)**	(14,863)
	97,000	202,640

5. FINANCE COSTS/PROFIT FOR THE PERIOD

	For the six months ended June 30, 2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(a) Finance costs		
Interest expenses on bank and other borrowings	**33,794**	38,027
Interest expenses on lease liabilities	**57,657**	71,482
	91,451	109,509

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(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)	**1,258,961**	1,412,691
Depreciation of right-of-use assets	**568,551**	624,544
Depreciation of property, plant and equipment	**254,500**	270,914
Net changes in allowance for inventories (included in cost of sales)	**84,006**	(12,861)
Amortisation of intangible assets (included in selling and distribution expenses)	**4,219**	50,520
Gross rental income from investment properties, net of direct expenses	**(2,012)**	(2,296)
Loss on disposal of property, plant and equipment (included in other operating income and gains (losses))	**5,600**	19,191
Impairment losses (reversal) recognised on trade and other receivables, net (included in other operating income and gains (losses))	**3,455**	(3,953)
Impairment losses recognised on property, plant and equipment (included in other losses)*(note)*	**2,471**	–
Impairment losses recognised on right-of-use assets (included in other losses)*(note)*	**3,803**	–
Impairment loss of an intangible asset (included in other losses)	**–**	10,172

For the six months ended June 30, 2022 and 2021, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

note: The amounts represent impairment losses allocated to the respective assets immediately before the initial classification of certain assets classified as held for sale of certain subsidiaries as fair value less cost of disposal are less than the carrying amount of the relevant assets minus associated liabilities.

6. DIVIDENDS

	For the six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
2021 final dividend of HK$0.016 per share (six months ended June 30, 2021: nil)	**70,805**	–

Subsequent to the end of the current interim period, the Directors have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2021: 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,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**17,413**	635,852

	For the six months ended June 30,	
	2022	2021
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,172,690,740**	5,193,775,897
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	**5,800,905**	18,199,130
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,178,491,645**	5,211,975,027

For the purpose of computation of basic earnings per share, 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 six months ended June 30, 2021 did not assume the exercise of share options of the Company because the exercise price of those options was higher than the average market price for shares.

8. 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:

	At June 30, 2022	At December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**1,055,810**	1,105,075
31 – 90 days	**54,987**	59,225
Over 90 days	**–**	703
	1,110,797	1,165,003

9. 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:

	At June 30, 2022	At December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 30 days	**749,351**	1,654,102
31 – 90 days	**–**	10
Over 90 days	**1,305**	984
	750,656	1,655,096

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Environment

Despite a spending rebound in January this year, retailers across mainland China faced tremendous pressures in the first half of 2022, which resulted from the control measures for avoiding mass spread of COVID-19 pandemic (the "Pandemic"), such as lockdowns in specific regions, transportation controls across the country. Traffic down in shopping mall as a new normal as well as consumer behaviour changes due to the continuing Pandemic impact since 2020. Total retail sales of consumer goods in the first half of 2022 in China fell 0.7% year-on-year, indicating a sluggish consumer demand across the market.

The Group was not spared, despite starting the year off strong, the resurgence of Pandemic causing temporary shuttering of some of its retail stores and a significant drop of store traffic in shopping venues across cities in which it operates, not just those which experienced government-imposed lockdowns. Other challenges such as a shortage of product supplies and the hindered last-mile delivery further dampened the situation, which led to soft sales performance in the first half of 2022. However, owing to the Group's relentless efforts in digital transformation, the online B2C sales showed relative resilient performance, particularly the private domain channels, covering WeChat stores, Douyin and shopping mall membership platforms that continue to register robust growth. Situation started to improve from late May, supported by a sequential improvement of footfall and logistics.

Throughout the challenging headwinds, the Group continued to progress its retail refinement strategy to prepare itself for recovery later in the year. This included strengthening and diversifying its online public and private traffic domains to enhance its channel mix, deliver better conversion rates and more in-season full-price sales, further streamlining and refining its brick and mortar ("B&M") network, as well as deepening engagement with customers and increasing operational efficiency. The Group also deepened its collaboration with brands to create seamless shopping experience, prioritise healthier sales and enhance inventory integration.

Channel Management – B&M

Sales momentum within the Group's B&M network was acutely affected by continued sporadic outbreaks of the Pandemic, movement restrictions and weak overall consumer sentiment in mainland China. Sales recovered sequentially in May and June which benefited from improved in-store traffic, despite a higher proportion of the Group's stores are located in higher-end shopping venues in higher tier cities. The Group also continued to close or upgrade underperforming stores while opening stores with holistic views, which optimising the investment returns by considering all business regions as a whole and prioritising regions with convincing potential and outstanding operating track records, and to open stores after thorough assessments, not according to the allocation from brands only. As at June 30, 2022, the Group's retail network totalled 7,961 stores, consisting of 4,455 directly operated stores and 3,506 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	June 30, 2022	June 30, 2021
At the beginning of the period	**4,631**	5,240
Net decrease in the number of stores	**(176)**	(272)
At the end of the period	**4,455**	4,968

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

	June 30, 2022		June 30, 2021	
	Number	**%**	*Number*	%
Selling area				
300 m^2 or smaller	**3,702**	**83.1**	4,267	85.9
Larger than 300 m^2	**753**	**16.9**	701	14.1
Total	**4,455**	**100.0**	4,968	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 first half of 2022, 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 repeated purchases with higher-margin and in-season sales within its offline network.

Channel Management – Omni-channels

The Group's omni-channels include its public traffic domains, covering the operation on third-party platforms such as Tmall, JD and Vipshop, as well as 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.

In the first half of 2022, logistics and last-mile delivery were also hindered by continuous lockdown and control measures across mainland China. These adversely impacted the Group's overall online performance despite the situation started to improve in the second half of May. Encouragingly, Pan-WeChat Ecosphere is proving to be an increasingly lucrative and effective sales channel for the Group, delivering better conversion rates, shorter sales cycles and more full-price in-season sales launched at an earlier time. The Group digital sales capabilities in private domain channels were further elevated and experienced a strong growth during the first half of 2022. Through the Pan-WeChat Ecosphere, the Group continued to embed its ExP (Energy x Power) membership programme operated under the brand name of YYsports with more value-added services, diverse content and member-exclusive benefits, as well as with Douyin livestreams conducted by designated Key Opinion Staff. By continuing to invest in and allocate more resources to its private traffic domain, the Group aims to establish sustainable consumer loyalty, which was boosted by the provision of more grass-root sports-related services.

During the first half of 2022, the Group continued to strengthen and grow its omni-channels in order to deepen and expand its engagement with shoppers and to deliver better operational efficiency. During the period, the Group's omni-channels contributed approximately 21% of its total sales.

Investment in Sports Services

The Group 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.

The 'Next Stores' in Taiwan and Shenyang of the Group that specialised for sports services continued to serve as an integrated innovative touchpoint, empowering its ExP sports services ecosystem. These large-scale stores are 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, offering a wide and diverse range of sports 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.

Enhanced Sharing Mechanism and Continued Retail Excellence

The Group continued to reinforce its product sharing platform ("PSP") and enhance its Omni-Hub programme with brand and shopping mall partners to efficiently share products and services across different online platforms to optimise its services to loyal members and consumers.

The Group also continued to invest in its business intelligence system and digital tools to drive future retail excellence, particularly in areas such as 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 be more adaptable to the ever-changing operating environment while capturing long-term growth opportunities.

Performance Analysis

Financial Review

In the first half of 2022, the Group recorded revenue of RMB9,864.8 million, representing a decrease of 24.5% compared with the same period of last year. Gross profit was RMB3,495.9 million, a decrease of 26.0% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2022 was RMB17.4 million.

Revenue

The Group's total revenue in the first half of 2022 decreased 24.5% to RMB9,864.8 million, as compared with the same period of last year. The decrease was mainly attributed to weak foot traffic in the shopping venues and cities where the Group operates following the Pandemic lockdowns and local government's closed-loop management across mainland China, despite of experiencing a good start at the beginning of the year with continued resilient performance of its Pan-WeChat Ecosphere.

	For the six months ended June 30,		
	2022	2021	**Change**
	RMB million	*RMB million*	
Revenue	**9,864.8**	13,073.9	**-24.5%**
Cost of sales	**(6,368.9)**	(8,351.8)	**-23.7%**
Gross profit	**3,495.9**	4,722.1	**-26.0%**
Gross profit margin (%)	**35.4%**	36.1%	**-0.7 ppt**

Gross Profit

The Group's gross profit in the first half of 2022 amounted to RMB3,495.9 million with a gross profit margin of 35.4%. The gross profit margin decreased by 0.7 percentage point compared to the same period of last year. Gross profit margin showed resilience year-over-year, which was mainly attributed to an enhanced channel mix and effective promotion strategy within the current volatile retail environment.

Selling & Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses in the first half of 2022 were RMB3,075.9 million (first half of 2021: RMB3,606.9 million), accounting for 31.2% of the Group's revenue (first half of 2021: 27.6%). 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 other expenses.

Administrative expenses in the first half of 2022 were RMB375.9 million (first half of 2021: RMB404.5 million), accounting for 3.8% of the Group's revenue (first half of 2021: 3.1%). 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 the first half of 2022 were RMB3,451.8 million, a decrease of 13.9% compared to the first half of 2021. This was equivalent to 35.0% of total revenue, an increase of 4.3 percentage points year-on-year.

Operating Profit

The Group's operating profit in the first half of 2022 was RMB208.3 million, with an operating margin of 2.1%.

Finance Income and Finance Cost

Finance income in the first half of 2022 was RMB10.6 million, compared to RMB14.6 million in the first half of 2021. Finance costs in the first half of 2022 was RMB91.5 million, compared to RMB109.5 million in the first half of 2021, primarily as a result of a decrease in interest expense on lease liabilities during the period under review.

Profit for the Period

The Group recorded a net profit of RMB24.2 million in the first half of 2022, representing a decline of 96.3% as compared with the same period of 2021.

Working Capital Efficiency

The average inventory turnover period for the first half of 2022 was 202 days (first half of 2021: 129 days). The balance of inventory as at June 30, 2022 was RMB6,649.4 million as a result of the acquisition of a joint venture and weak sales that was partially offset by efforts to digest excessive inventory. The average trade receivables turnover period was 21 days (first half of 2021: 21 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 payables turnover period in the first half of 2022 was 34 days (first half of 2021: 30 days).

Liquidity and Financial Resources

As at June 30, 2022, the Group had solid cash and cash equivalents amounting to RMB1,236.7 million (December 31, 2021: RMB1,233.8 million) while working capital (current assets minus current liabilities) was RMB5,337.5 million (December 31, 2021: RMB5,105.2 million). Total bank and other borrowings increased to RMB2,099.9 million (December 31, 2021: RMB1,581.6 million) and are repayable within one year. Bank and other borrowings were mainly denominated in Renminbi and so were cash and cash equivalents. The Group's loans under fixed rate arrangement made up approximately 98% (December 31, 2021: 99%) of its total bank borrowings.

The Group's gearing ratio as of June 30, 2022, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 25.7% (December 31, 2021: 19.3%). The net debt to equity ratio was 10.6% (December 31, 2021: 4.2%).

The net cash from operating activities in the first half of 2022 was RMB324.1 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 2022 was RMB110.1 million, while the net cash used in financing activities was RMB202.1 million.

Capital Expenditure

The Group continued its selective and prudent approach of capital expenditure planning in areas of strategic opening of new stores, ongoing upgrades and expanding experience-driven B&M stores that offer a better shopping experience and store productivity improvements, as well as further optimising its online and B&M networks to capture growth opportunities. As a result, total capital expenditure in the first half of 2022 declined to RMB143.8 million (first half of 2021: RMB223.5 million). As at June 30, 2022, the Group had no material contingent liabilities.

As at June 30, 2022, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB89.1 million (December 31, 2021: RMB70.5 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 (2021: 1 to 5 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB5.3 million (December 31, 2021: RMB15.3 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 June 30, 2022, 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 the first half of 2022 was in accordance with the Group's internal policies and guidelines.

Prospects and Future Developments

Even though the current external conditions impacting the Group have started to show some signs of easing, the Pandemic situation in mainland China remains volatile. However, disrupted logistics and last-mile delivery have largely improved, combined with supportive policies such as stimulus programs, the Group is cautiously optimistic about a gradual recovery in the second half of the year.

Meanwhile, the Group will continue to accelerate its digital transformation by strengthening its public and private channel domains. The Group's earlier acquisition of the remaining equity interest in its former joint venture with Vipshop is having a positive impact. This helps the sales of the Group become less reliant on holiday promotions and improve its inventory management efficiency, pave the way for improved profit margins and greater efficiency when market conditions normalise. Meanwhile, the Group will continue to expand its Pan-WeChat Ecosphere, which saw resilient performance within current weak consumer sentiment. All above initiatives will continue to facilitate the Group to strategically pivot its online focus towards more full-price in-season sales, drive repeat purchases through better customer engagement and loyalty.

Elsewhere, the Group aims to further grow its membership services with brand partners to further maximise value for consumers. It will continue to connect membership services with its growing number of digitally-enabled stores to allow more customers to access member-exclusive products, offers and experiences consistent with that available at brand's directly operated stores in Greater China Region.

The Group will also push forward its other innovative strategies developed and rolled out in partnership with brands, especially the rapidly-expanding Omni-Hub programme that focuses on inventory sharing. It 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 operations, optimise its inventory management and improve its working capital efficiency. It will also continue to drive its offline and online sales growth, reinforce its in-season sell-through, off-season clearance and margin growth through its PSP with a better procurement strategy, and more effective inventory management. The Group will uphold its focus upgrading and refining its experience-driven B&M stores to offer an even more excellent shopping experience, as well as exploring new co-operation opportunities with business partners that ultimately drives sustainable growth.

In the longer term, the prospects for sports industry in the Greater China region remain bright. Following the highly-successful 2022 Winter Olympics in Beijing, in which China won a record number of medals, the authorities remain committed to high-quality sports development, with the industry set to grow to RMB5 trillion in value by 2025. This will enable the Group to return to and exceed its previous growth momentum while strengthening its long-term financial performance and profitability.

Human Resources

As at June 30, 2022, the Group had approximately 28,600 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 programmes for employees based on their respective personal career development.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

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 ordinary shares of the Company (the "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, 2022, no share awards were granted, 443,500 share awards lapsed or were cancelled and 5,464,000 share awards were vested under the Share Award Scheme. As at June 30, 2022, an aggregate of 10,060,000 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, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (six months ended June 30, 2021: 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, 2022, 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 financial information of the Group for the six months ended June 30, 2022 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, 2022.

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. Having made 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, 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pousheng.com) and the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2022 interim report of the Company containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published 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
Lee, Shao-Wu
Chairman

Hong Kong, August 11, 2022

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

Executive Directors
Mr. Lee, Shao-Wu (Chairman), Mr. Liao, Yuang-Whang and Mr. Hu, Chia-Ho

Non-executive Directors
Ms. Tsai Patty, Pei Chun and Mr. Li I-nan

Independent Non-executive Directors
Mr. Chen, Huan-Chung, Mr. Feng Lei Ming and Mr. Liu, Hsi-Liang

Website: www.pousheng.com