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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, 2023

<b>THE GROUP'S FINANCIAL HIGHLIGHTS</b>			
<b>Financial performance</b>	<b>For the year ended December 31,</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>20,064,497</b>	18,638,021	<b>7.7%</b>
Gross profit	<b>6,755,980</b>	6,688,046	<b>1.0%</b>
Operating profit	<b>735,861</b>	414,530	<b>77.5%</b>
Profit attributable to owners of the Company	<b>490,425</b>	89,164	<b>450.0%</b>
Gross profit margin (%)	<b>33.7%</b>	35.9%	<b>-2.2 ppt</b>
Operating profit margin (%)	<b>3.7%</b>	2.2%	<b>1.5 ppt</b>
Basic earnings per share (RMB cents)	<b>9.47</b>	1.72	<b>450.6%</b>
Dividend per share			
Interim dividend (HK\$)	<b>0.0185</b>	–	<b>N/A</b>
Final dividend (proposed) (HK\$)	<b>0.0120</b>	–	<b>N/A</b>
<b>Financial position</b>	<b>As at December 31,</b>		
	<b>2023</b>	<b>2022</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Inventories	<b>4,704,713</b>	6,071,858	<b>-22.5%</b>
Trade and other receivables	<b>2,101,577</b>	2,149,713	<b>-2.2%</b>
Cash and cash equivalents	<b>1,827,563</b>	1,190,148	<b>53.6%</b>
Bank borrowings	<b>39,202</b>	456,162	<b>-91.4%</b>

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Pou Sheng International (Holdings) Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2023 with comparative figures for the corresponding year in 2022 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended December 31, 2023*

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <b>RMB'000</b>
Revenue	3	<b>20,064,497</b>	18,638,021
Cost of sales		<b>(13,308,517)</b>	(11,949,975)
Gross profit		<b>6,755,980</b>	6,688,046
Other operating income and gains (losses)		<b>319,850</b>	342,839
Selling and distribution expenses		<b>(5,588,228)</b>	(5,806,761)
Administrative expenses		<b>(751,741)</b>	(809,594)
Operating profit		<b>735,861</b>	414,530
Finance costs		<b>(92,335)</b>	(166,759)
Finance income		<b>37,615</b>	22,235
		<b>(54,720)</b>	(144,524)
Other gains (losses)	4	<b>(24,432)</b>	(7,143)
Profit before taxation		<b>656,709</b>	262,863
Income tax expense	5	<b>(153,501)</b>	(162,625)
<b>Profit for the year</b>	6	<b>503,208</b>	100,238
Attributable to:			
Owners of the Company		<b>490,425</b>	89,164
Non-controlling interests		<b>12,783</b>	11,074
		<b>503,208</b>	100,238
Earnings per share	8		
– Basic		<b>RMB9.47 cents</b>	RMB1.72 cents
– Diluted		<b>RMB9.46 cents</b>	RMB1.72 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Profit for the year</b>	<b>503,208</b>	100,238
<b>Other comprehensive income (expense)</b>		
<i>An item that will not be reclassified to profit or loss</i>		
Fair value gain (loss) on investments in equity instrument at fair value through other comprehensive income	79	(1,155)
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on the translation of foreign operations	<u>(1,185)</u>	<u>(1,790)</u>
Other comprehensive expense for the year	<u>(1,106)</u>	<u>(2,945)</u>
<b>Total comprehensive income for the year</b>	<b><u>502,102</u></b>	<b><u>97,293</u></b>
Attributable to:		
Owners of the Company	<b>489,319</b>	86,219
Non-controlling interests	<b><u>12,783</u></b>	<u>11,074</u>
	<b><u>502,102</u></b>	<b><u>97,293</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At December 31, 2023*

	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Investment properties		<b>129,700</b>	87,700
Property, plant and equipment		<b>781,568</b>	886,396
Right-of-use assets		<b>1,743,073</b>	2,281,544
Deposits paid for acquisition of property, plant and equipment		<b>25,063</b>	36,934
Rental deposits		<b>125,098</b>	143,467
Intangible assets		<b>85,820</b>	61,815
Goodwill		<b>522,163</b>	522,163
Interests in joint ventures		–	–
Equity instrument at fair value through other comprehensive income		<b>1,921</b>	1,813
Bank deposits over three months		<b>250,000</b>	–
Deferred tax assets		<b>110,222</b>	161,321
		<u><b>3,774,628</b></u>	<u>4,183,153</u>
<b>Current assets</b>			
Inventories		<b>4,704,713</b>	6,071,858
Trade and other receivables	9	<b>2,101,577</b>	2,149,713
Taxation recoverable		<b>52,577</b>	3,989
Bank deposits over three months		<b>796,615</b>	–
Cash and cash equivalents		<b>1,827,563</b>	1,190,148
		<u><b>9,483,045</b></u>	<u>9,415,708</u>

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables	10	<b>2,485,038</b>	2,190,904
Contract liabilities		<b>303,726</b>	447,916
Taxation payable		<b>17,928</b>	71,599
Bank borrowings		<b>39,202</b>	456,162
Lease liabilities		<b>625,826</b>	774,164
		<u><b>3,471,720</b></u>	<u>3,940,745</u>
<b>Net current assets</b>		<u><b>6,011,325</b></u>	<u>5,474,963</u>
<b>Total assets less current liabilities</b>		<u><b>9,785,953</b></u>	<u>9,658,116</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>22,931</b>	24,569
Lease liabilities		<b>1,152,441</b>	1,439,627
		<u><b>1,175,372</b></u>	<u>1,464,196</u>
<b>Net assets</b>		<u><b>8,610,581</b></u>	<u>8,193,920</u>
<b>Capital and reserves</b>			
Share capital		<b>46,438</b>	46,438
Reserves		<b>8,471,693</b>	8,067,815
		<u><b>8,518,131</b></u>	<u>8,114,253</u>
Equity attributable to owners of the Company		<b>8,518,131</b>	8,114,253
Non-controlling interests		<b>92,450</b>	79,667
		<u><b>8,610,581</b></u>	<u>8,193,920</u>
<b>Total equity</b>		<u><b>8,610,581</b></u>	<u>8,193,920</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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after January 1, 2023 for the preparation of the Group’s consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **2.1 Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”**

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

## **2.2 *Impacts on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”***

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The Group recognised the deferred tax assets associated with the lease liabilities of approximately RMB703.8 million and RMB553.3 million as at January 1, 2022 and December 31, 2022 respectively and deferred tax liabilities associated with the right-of-use assets of approximately RMB671.9 million and RMB520.7 million as at January 1, 2022 and December 31, 2022 respectively on a gross basis but it has no impact on the Group’s financial position as the related deferred tax assets and liabilities continues to offset for the purpose of presentation in the consolidated statement of financial position. There is also no impact on the Group’s performance and the accumulated profits at the earliest period presented.

## **2.3 *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”***

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the 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:

	<b>2023</b>	2022
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Sales of sportswear and footwear products	<b>19,946,875</b>	18,528,602
Commissions from concessionaire sales	<b>117,622</b>	109,419
	<b><u>20,064,497</u></b>	<u>18,638,021</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fair value gain on a currency swap contract	368	–
Fair value changes on investment properties	(24,800)	(1,200)
Loss on disposal of subsidiaries	–	(5,943)
	<u>(24,432)</u>	<u>(7,143)</u>

#### 5. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <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	112,594	224,851
– (Over)underprovision in prior years	(14,723)	9,806
Withholding tax on dividend	6,169	34,846
	<u>104,040</u>	<u>269,503</u>
Current tax charge	104,040	269,503
Deferred tax charge (credit)	49,461	(106,878)
	<u>153,501</u>	<u>162,625</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 eligible for PRC EIT of 15% from local tax bureaus.

## 6. PROFIT FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments	4,696	3,881
Retirement benefit scheme contributions, excluding directors and chief executives	322,169	381,645
Equity-settled share-based payments, excluding directors and chief executives	2,022	3,130
Other staff costs	<u>1,951,107</u>	<u>2,036,942</u>
Total staff costs	<u>2,279,994</u>	<u>2,425,598</u>
Auditor's remuneration	5,418	5,587
Depreciation of property, plant and equipment	363,636	481,651
Depreciation of right-of-use assets	882,475	1,082,593
Amortisation of intangible assets (included in selling and distribution expenses)	9,067	8,438
Impairment loss on property, plant and equipment and right-of-use assets (included in selling and distribution expenses)	27,781	20,000
Gross rental income from investment properties, net of direct expenses	(4,000)	(3,934)
Net changes in allowance for inventories	<u>(78,882)</u>	<u>76,018</u>

For the years ended December 31, 2023 and 2022, cost of inventories recognised as an expense, including net changes in allowance for inventories, represents cost of sales as shown in the consolidated income statement.

## 7. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividend recognised as distribution during the year:		
2023 interim dividend of HK\$0.0185 per share (2022: 2021 final dividend of HK\$0.016 per share)	<u>87,883</u>	<u>70,805</u>

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2023 of HK\$0.0120 per share (2022: 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 4, 2024.

The proposed final dividend is subject to approval by the Shareholders at the forthcoming 2024 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:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<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	<b><u>490,425</u></b>	<u>89,164</u>
	<b>2023</b>	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>5,177,341,013</b>	5,174,290,612
Effect of dilutive potential ordinary shares:		
– Unvested awarded shares	<b><u>4,664,831</u></b>	<u>2,806,716</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>5,182,005,844</u></b>	<u>5,177,097,328</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.

## 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.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of RMB978,919,000 (2022: RMB862,084,000) and an aged analysis based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>955,025</b>	820,300
31 – 90 days	<b>23,546</b>	41,784
Over 90 days	<b>348</b>	–
	<b>978,919</b>	862,084

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of RMB1,252,834,000 (2022: RMB819,396,000) and an aged analysis based on the invoice date/issuance date of the bills at the end of the reporting period, is as follows:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>1,252,501</b>	518,651
31 – 90 days	<b>257</b>	745
Over 90 days	<b>76</b>	300,000
	<b>1,252,834</b>	819,396

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*

In 2023, the improvement of the Group's sales were supported by a moderately recovery of the sales environment and foot traffic to its directly-operated brick and mortar ("B&M") channels in mainland China. Despite a mixed consumption landscape and slower macro consumption that led to intensifying competition and softening momentum in the second half of the year, the performance of the footwear and apparel retail sector continued to outperform the recovery of overall consumer spending. According to the National Bureau of Statistics of China, the retail value of garments, footwear, hats and knitwear in 2023 rose 12.9% year-on-year, compared to a 7.2% recovery in the total retail sales of overall consumer goods.

The Group remained highly agile and flexible in its decision-making and in progressing its retail refinement strategy, achieving higher levels of productivity and efficiency, while strengthening its online public and private traffic domains to diversify its channel mix. Omni-channel sales, including its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms, remained robust with sales growth of over 22%. This resilience demonstrated the effectiveness of the Group's ongoing digital transformation and how its incremental implementation is complementing offline sales.

Amid the dynamic and promotional market environment, the overall good performance of the Group is mainly attributed to its focus on both agility and sustained growth, backed by effective initiatives that enhanced its omni-channel capabilities, stringent expense control and inventory optimisation. It continued to focus on improving conversion rates and in-season full-price sales, while deepening its engagement with consumers. The Group also continued to intensify its collaboration with its brand partners to create a seamless shopping experience for its consumers in a way that prioritises healthier sales, while enhancing its membership program and inventory integration. As a result, the Group's solid profitability was underpinned by its rapidly improved operating efficiency together with a low base effect, demonstrating its operational excellence in retailing.

##### *Hybrid Channel Management – B&M*

In 2023, the sales momentum of the Group's B&M network recovered from a low base – the influence of which varied considerably from month to month according to the lockdown conditions being experienced in different regions of mainland China in the corresponding periods of 2022 – with foot traffic improving but remaining bumpy throughout the year.

During the year, the Group continued to progress its retail refinement strategy of closing or upgrading underperforming stores, reducing costs and optimising store-level productivity and efficiency, while adopting a holistic view towards new store openings: optimising its investment returns as a whole by prioritising geographic regions with an outstanding operating track record and convincing potential, with stores only being opened following a thorough assessment that prioritised margins and business quality. As at December 31, 2023, the Group's retail network had 3,523 directly operated stores across the Greater China region.

Movement of directly operated stores during the year ended:

	<b>December 31, 2023</b>	December 31, 2022
At the beginning of the year	<b>4,093</b>	4,631
Net decrease	<b>(570)</b>	(538)
At the end of the year	<b>3,523</b>	4,093

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

	<b>December 31, 2023</b>		December 31, 2022	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
<b>Selling area</b>				
300 m <sup>2</sup> or smaller	<b>2,799</b>	<b>79</b>	3,332	81
Larger than 300 m <sup>2</sup>	<b>724</b>	<b>21</b>	761	19
Total	<b>3,523</b>	<b>100</b>	4,093	100

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, the Group continued to invest in optimising store formats and accelerated its digital transformation by integrating its WeChat stores, membership programmes and other digital services and tools into its B&M network, which, in turn, enriched the consumer experience and stimulated higher average transaction values. It also continued to encourage repeat purchases and higher-margin in-season sales within its core offline network, albeit with a temporarily higher sales contribution from discounted stores during the year.

### *Hybrid Channel Management – Omni-channels*

The Group's omni-channels include its increasingly important private traffic domain – the Pan-WeChat Ecosphere – which covers its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms, as well as channels that facilitate the clearance of slow-moving merchandise and enhance cash conversion efficiency, including its public traffic domain and B2B channels. The Group's public traffic domain includes its operations on third-party platforms such as Tmall, JD and Vipshop. During the year, it continued to strengthen and grow its omni-channels, leveraging its differentiated, multi-faceted operation matrix to further deepen and expand its engagement with shoppers while delivering better operational efficiency.

The Group's online sales momentum proved highly robust, supporting revenue growth and effective inventory destocking despite the return of foot traffic to its B&M network and recovering offline sales. Its omni-channels collectively contributed approximately 27% of total sales in 2023, reaching a new high compared to 24% of total sales in 2022, during which the Group's offline channels were adversely affected by control measures.

As the Group continued elevating its digital operation capabilities, its private traffic domain channels, in particular, experienced strong sales growth during the year with a higher contribution to offline direct retail sales.

The Group's Pan-WeChat Ecosphere serves as an extension of its B&M network, providing quality and comprehensive customer service with a human touch. The Group further optimised the scope of its Douyin live-streaming conducted by designated Key Opinion Staff during the year, facilitating more localised operations by integrating the regional level and the store level. It also continued to embed value-added services, diverse content and member-exclusive benefits stemming from its integrated membership programmes with its brand partners into the Pan-WeChat Ecosphere to achieve incremental sales and enhance repeat purchases.

### *Enhanced Strategic Alliance with Business Partners*

The Group further deepened its strategic partnerships with its business partners in order to provide an impeccable and diverse shopping experience and consumer connectivity. Leveraging its YYsports WeChat Mini-Program and live-streaming across the Greater China region, it continued to boost its connected digital membership programmes while offering diversified sports services content, interactive features and other related services, to support in-depth membership management and to facilitate a premium and seamless online and offline consumer experience. Through the increased integration and direct connection of our membership programmes with brand partners, the Group further supported membership growth and increased in-season sell-through.

Moreover, the Group continued to reinforce its product-sharing platform (“PSP”) and improve its efficiency in product allocation and logistics management, enhancing its connected inventory programme with brand partners to efficiently share products and services across different platforms and channels to optimise its inventory mix, accelerate sales cycles and optimise its services to loyal members and consumers.

#### *Strengthened Operational Excellence with Digital Transformation*

During the year, the Group further invested in upgrading its enterprise resource planning (“ERP”) system. Multiple SAP modules were officially implemented on January 1, 2024, integrating business and finance and laying a solid foundation for strategic decision-making at the management level. The success of these modules was attributed to extensive preparation over twelve months and efficient and comprehensive testing for design and integration. The modules covered various functions, including data analytics, product management, sales management, financial operations and budget monitoring. Additionally, the Group integrated its business intelligence platform, enabling real-time monitoring of its overall operations through digital cloud-based financial dashboards. The Group also leverages other digital tools to drive its retail excellence, particularly in areas such as real-time in-store efficiency, resource optimisation and membership services through digital empowerment. It has also rolled out personal digital assistants (“PDA”) to its B&M stores, a dashboard-style system that enables store staff to manage inventory more effectively, boosting store-level efficiency.

The Group’s ongoing investments in its omni-channels and retail refinement strategy, alongside its digital transformation strategy for operational excellence, remain essential for developing its unique core competencies, maintaining its competitiveness and supporting its long-term development. It has also streamlined its operations to enhance people efficiency, cost competitiveness and to shorten sales cycles. 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 2023, the Group recorded revenue of RMB20,064.5 million, representing an increase of 7.7% compared with the financial year 2022. Gross profit was RMB6,756.0 million, an increase of 1.0% when compared to the financial year 2022. Profit attributable to owners of the Company in 2023 increased substantially by 450.0% to RMB490.4 million.

## ***Revenue***

The Group's total revenue in 2023 increased 7.7% to RMB20,064.5 million, compared with the financial year 2022. The improvement is mainly attributed to its focus on agility and sustained growth backed by the resilient performance of its omni-channels, particularly its Pan-WeChat Ecosphere, as well as a low base effect.

	<b>For the year ended December 31,</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>	
Revenue	<b>20,064.5</b>	18,638.0	<b>7.7%</b>
Cost of sales	<b>(13,308.5)</b>	(11,950.0)	<b>11.4%</b>
Gross profit	<b>6,756.0</b>	6,688.0	<b>1.0%</b>
Gross profit margin (%)	<b>33.7%</b>	35.9%	<b>-2.2 ppt</b>

## ***Gross Profit***

The Group's gross profit in 2023 amounted to RMB6,756.0 million with a gross profit margin of 33.7%. Despite the well-managed discount control, its gross profit margin decreased by 2.2 percentage points compared to the financial year 2022. The decrease was mainly due to the higher contribution of the lower margin channels, therefore to enhance diversified channels to digest excess inventories.

## ***Selling & Distribution Expenses and Administrative Expenses***

The Group's selling and distribution expenses in 2023 were RMB5,588.2 million (2022: RMB5,806.8 million), accounting for 27.9% of the Group's revenue (2022: 31.2%). 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 2023 were RMB751.7 million (2022: RMB809.6 million), accounting for 3.7% of the Group's revenue (2022: 4.3%). 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 2023 were RMB6,339.9 million, a decrease of 4.2% compared to the financial year 2022. This was equivalent to 31.6% of total revenue, a decrease of 3.9 percentage points year-on-year, with the savings accruing from the active management of rentals and people efficiency that delivered operational excellence, as well as operating leverage.

## ***Operating Profit***

The Group's operating profit in 2023 was RMB735.9 million, representing an increase of 77.5% with an operating margin of 3.7%, an increase of 1.5 percentage points year-on-year.

### ***Finance Income and Finance Costs***

Finance income in 2023 was RMB37.6 million, compared to RMB22.2 million in the financial year 2022. Finance costs during the year recorded a sharp decrease of 44.6% to RMB92.3 million, compared to RMB166.8 million in the financial year 2022, primarily as a result of its debt repayment efforts and enhanced efficiency in cash management and a decrease in interest expenses on lease liabilities during the year.

### ***Profit for the Year***

As a result of the aforementioned efforts, the Group recorded a net profit of RMB503.2 million in 2023, representing a significant increase of 402.0% compared to the financial year 2022. Profit attributable to owners of the Company for 2023 increased 450.0% by to RMB490.4 million compared with the financial year 2022.

### ***Working Capital Efficiency***

The average inventory turnover period for 2023 improved significantly to 148 days (2022: 208 days). The balance of inventory as at December 31, 2023 was RMB4,704.7 million, a decrease from RMB6,071.9 million as at December 31, 2022, which was attributed to the Group's efforts to clear excess inventory and to enhance inventory efficiency. The average trade receivables turnover period was 17 days (2022: 20 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives its department store counters and retail distributors. The average trade payables turnover period in 2023 was 28 days (2022: 38 days).

### ***Liquidity and Financial Resources***

As at December 31, 2023, the Group maintained a strong balance sheet, with bank balances and cash (which consist of bank deposits over three months and cash and cash equivalents) amounting to RMB2,874.2 million (December 31, 2022: RMB1,190.1 million) while working capital (current assets minus current liabilities) was RMB6,011.3 million (December 31, 2022: RMB5,475.0 million). Total bank borrowings were further reduced by 91.4% to RMB39.2 million (December 31, 2022: RMB456.2 million). All bank borrowings are short-term in nature which are repayable within one year. Bank balances and cash and bank borrowings were mainly denominated in Renminbi. The Group's loans under a fixed rate arrangement made up approximately 100% (December 31, 2022: 92%) of its total bank borrowings.

The Group's gearing ratio as of December 31, 2023, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 0.5% (December 31, 2022: 5.6%). The net cash position (bank balances and cash minus bank borrowings) saw increased substantially to RMB2,835.0 million (December 31, 2022: RMB734.0 million).

The net cash generated from operating activities in 2023 was RMB3,404.2 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 2023 was RMB1,315.3 million, while the net cash used in financing activities was RMB1,450.7 million.

### ***Capital Expenditure***

The Group continued its selective and prudent approach of capital expenditure planning in the areas of strategic new store openings, ongoing upgrades and the expansion of experience-driven B&M stores that offer a better shopping experience and store productivity improvements, as well as the further roll-out of its long-term digital transformation strategy, namely the implementation of the SAP ERP system. Total capital expenditure in 2023 increased to RMB344.2 million (2022: RMB311.6 million). As at December 31, 2023, the Group had no material contingent liabilities.

As at December 31, 2023, capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the consolidated financial statements was RMB63.6 million (December 31, 2022: RMB62.7 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 3 years (2022: 1 to 3 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB5.7 million (December 31, 2022: RMB21.4 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, 2023, the Group had no significant hedging financial instruments for managing its foreign exchange exposure. As the exchange rate of the 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 2023 was in accordance with the Group's internal policies and guidelines.

## **PROSPECTS AND FUTURE DEVELOPMENTS**

In 2024, prioritising margins will be the Group's primary focus while also ensuring quality growth. The Group will continue to emphasise operational excellence to drive profitability, supported by its digital transformation strategy, the enhancement of its business portfolio and channel mix, a strategic approach to dynamic inventory control, and most importantly, more effective working capital management amid an increasingly dynamic retail environment.

The Group will continue to implement its retail refinement strategy to offer a digitally-enabled and superior customer experience, while dynamically managing its retail footprint and optimising its omni-channels, aiming to become less reliant on promotions. The Group will also continue to enhance the implementation, integration and upgrade of its SAP system, utilising its multi-functional modules to achieve the integration of business and finance, laying a solid foundation for strategic decision-making at the management level. Additionally, the Group will further integrate its business intelligence platforms, enabling the real-time monitoring of overall operations through digital cloud-based financial dashboards. The Group will also leverage other digital empowerment tools to drive its operations, optimise its inventory management and improve its working capital efficiency. Furthermore, the Group will continue to drive its quality sales growth and reinforce its in-season sell-through, off-season clearance and margin growth through its PSP, a more agile procurement strategy and inventory management.

The Group will continue to maximise its strategic partnerships with business associates, remaining committed to facilitating inventory sharing and expanding its connected membership programmes with brand partners, while connecting these membership services with its growing number of digitally-enabled stores, allowing consumers to access premium member-exclusive products, offers and experiences that are consistent with those available at the directly operated stores of these brands in the Greater China region. Meanwhile, it will continue to explore opportunities to capture growth potential in different segments.

Despite the challenging external environment, the prospects for the sports industry in the Greater China region remain bright, with the authorities remaining committed to high-quality sports development while boosting relevant consumption and the industry set to grow to RMB5 trillion in value by 2025, further fueled by anticipated consumption growth associated with the upcoming Olympic Games in Paris. This will enable the Group to drive its sustainable growth momentum while strengthening its long-term operating performance and profitability.

## **HUMAN RESOURCES**

As at December 31, 2023, the Group had approximately 22,100 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers 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.

## **SHARE AWARD SCHEME**

The share award scheme of the Company (the “Share Award Scheme”) is funded by the existing shares of the Company (the “Shares”) and does not involve issue of new Shares. 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 should not exceed 4% of the number of issued Shares (i.e. 5,326,179,165 Shares) as at the date of grant, which is 213,047,184. The maximum number of Shares (including vested and non-vested Shares) which may be awarded to a selected participant should not exceed 1% of the issued Shares from time to time, which is 53,261,796.

Under the Share Award Scheme, a total of 111,721,810 Shares, representing approximately 2.10% of the issued Shares, have been awarded and the total number of Shares available for being further awarded is 101,325,374, representing approximately 1.90% of the issued Shares as at the date of this announcement.

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, 2023, no share awards were granted, 403,200 share awards lapsed or were cancelled and 2,532,600 share awards were vested under the Share Award Scheme. As at 31 December, 2023, an aggregate of 5,227,200 share awards which are subject to certain vesting conditions, remain unvested.

## **ANNUAL GENERAL MEETING**

The forthcoming 2024 annual general meeting of the Company will be held on Friday, May 24, 2024 (the “2024 AGM”). Notice of the 2024 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, 2023 of HK\$0.0120 in cash per Share (2022: nil) to the Shareholders whose names appear on the Register of Members on Tuesday, June 4, 2024, amounting to approximately HK\$63.9 million (2022: nil), subject to the approval by the Shareholders at the 2024 AGM on Friday, May 24, 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

### **Entitlement to attend and vote at the 2024 AGM**

For the purpose of ascertaining entitlement to attend and vote at the 2024 AGM (the “Entitlement to 2024 AGM”), the Register of Members will be closed from Tuesday, May 21, 2024 to Friday, May 24, 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2024 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 Monday, May 20, 2024. The record date for Entitlement to 2024 AGM will be on Friday, May 24, 2024.

### **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 4, 2024 to Friday, June 7, 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend payable on Friday, June 21, 2024, 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 3, 2024. Dividend warrants will be despatched on Friday, June 21, 2024. The record date for Entitlement to Final Dividend will be Tuesday, June 4, 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended December 31, 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities (2022: nil).

## **REVIEW OF ACCOUNTS**

The audit committee of the Board has reviewed, with management and Messrs. Deloitte Touche Tohmatsu, the independent auditor of the Company (“Messrs. Deloitte Touche Tohmatsu”), the Group’s consolidated financial statements for the year ended December 31, 2023, 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, 2023, consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2023, and the related notes thereto as set out in this announcement have been agreed by Messrs. Deloitte Touche Tohmatsu to the amounts as set out in the audited consolidated financial statements of the Group for the year as approved by the Board on March 13, 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **CORPORATE GOVERNANCE**

The Company has applied the principles of, and has complied with all applicable code provisions and, where applicable, the recommended best practices set out in Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended December 31, 2023.

## **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 C3 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 year ended December 31, 2023.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Company ([www.pousheng.com](http://www.pousheng.com)) and the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the Shareholders and made 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  
**Yu Huan-Chang**  
*Chairman*

Hong Kong, March 13, 2024

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

*Executive Directors*

*Mr. Yu Huan-Chang (Chairman), Mr. Hu, Chia-Ho and Mr. Chen, Li-Chieh (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. Feng Lei Ming and Mr. Liu, Hsi-Liang*

*Website: [www.pousheng.com](http://www.pousheng.com)*