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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

**UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

THE GROUP'S FINANCIAL HIGHLIGHTS			
	For the six months ended June 30,		Change
	2021	2020	
Financial performance	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
Revenue	13,073,865	11,740,200	11.4%
Gross profit	4,722,074	3,520,136	34.1%
Operating profit	933,383	201,757	362.6%
Profit attributable to owners of the Company	635,852	12,314	5,064%
Gross profit margin (%)	36.1%	30.0%	6.1 ppt
Operating profit margin (%)	7.1%	1.7%	5.4 ppt
Basic earnings per share (<i>RMB cents</i>)	12.24	0.23	12.01
	As at		
	June 30,	December 31,	
	2021	2020	
Financial position	RMB'000	RMB'000	
	(unaudited)	(audited)	
Inventories	6,063,907	5,869,541	3.3%
Trade and other receivables	3,354,187	3,360,206	-0.2%
Bank balances and cash	1,789,880	1,742,290	2.7%
Bank borrowings	1,915,562	1,948,679	-1.7%

RESULTS

The board (the “Board”) of directors (the “Directors”) of Pou Sheng International (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended June 30, 2021 with the corresponding comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2021

		For the six months ended June 30,	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	13,073,865	11,740,200
Cost of sales		(8,351,791)	(8,220,064)
Gross profit		4,722,074	3,520,136
Other operating income and gains (losses)		222,758	140,794
Selling and distribution expenses		(3,606,935)	(3,023,774)
Administrative expenses		(404,514)	(435,399)
Operating profit		933,383	201,757
Finance costs	5	(109,509)	(131,028)
Finance income		14,557	6,864
		(94,952)	(124,164)
Share of results of joint ventures		24,649	(9,965)
Other losses		(10,172)	–
Profit before taxation		852,908	67,628
Income tax expense	4	(202,640)	(50,249)
Profit for the period	5	650,268	17,379
Attributable to:			
Owners of the Company		635,852	12,314
Non-controlling interests		14,416	5,065
		650,268	17,379
Earnings per share	7		
– Basic		RMB12.24 cents	RMB0.23 cent
– Diluted		RMB12.20 cents	RMB0.23 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	For the six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	650,268	17,379
Other comprehensive (expense) income		
<i>An item that will not be reclassified to profit or loss</i>		
Fair value loss on investments in equity instrument at fair value through other comprehensive income	(88)	–
<i>An item that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation of foreign operations	(453)	1,245
Other comprehensive (expense) income for the period	(541)	1,245
Total comprehensive income for the period	649,727	18,624
Attributable to:		
Owners of the Company	635,311	13,635
Non-controlling interests	14,416	4,989
	649,727	18,624

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2021

	<i>Note</i>	At June 30, 2021 <i>RMB'000</i> (unaudited)	At December 31, 2020 <i>RMB'000</i> (audited)
Non-current assets			
Investment properties		94,700	94,700
Property, plant and equipment		1,161,064	1,294,239
Right-of-use assets		3,206,262	3,246,941
Deposit paid for acquisition of property, plant and equipment		37,958	60,583
Rental deposits		179,341	183,988
Intangible assets		119,289	180,351
Goodwill		522,163	522,163
Interests in joint ventures		403,428	378,779
Equity instrument at fair value through other comprehensive income		3,047	3,149
Deferred tax assets		64,174	64,288
		5,791,426	6,029,181
Current assets			
Inventories		6,063,907	5,869,541
Trade and other receivables	8	3,354,187	3,360,206
Taxation recoverable		144	639
Bank balances and cash		1,789,880	1,742,290
		11,208,118	10,972,676
Non-current assets classified as held for sale		–	20,412
		11,208,118	10,993,088

		At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Current liabilities			
Trade and other payables	9	2,943,880	3,234,451
Contract liabilities		385,142	585,863
Taxation payable		106,280	185,517
Bank borrowings		1,915,562	1,948,679
Lease liabilities		960,744	1,047,232
		<u>6,311,608</u>	<u>7,001,742</u>
Net current assets		<u>4,896,510</u>	<u>3,991,346</u>
Total assets less current liabilities		<u>10,687,936</u>	<u>10,020,527</u>
Non-current liabilities			
Deferred tax liabilities		45,569	60,442
Lease liabilities		2,138,509	2,084,055
		<u>2,184,078</u>	<u>2,144,497</u>
Net assets		<u><u>8,503,858</u></u>	<u><u>7,876,030</u></u>
Capital and reserves			
Share capital		46,688	46,688
Reserves		8,355,190	7,723,513
Equity attributable to owners of the Company		<u>8,401,878</u>	<u>7,770,201</u>
Non-controlling interests		<u>101,980</u>	<u>105,829</u>
Total equity		<u><u>8,503,858</u></u>	<u><u>7,876,030</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are consistent with those of the annual financial statements for the year ended December 31, 2020.

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 annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements:

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 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.

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,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	13,008,017	11,690,618
Commissions from concessionaire sales	65,848	49,582
	13,073,865	11,740,200

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
People's Republic of China Enterprise Income Tax		
– Current period	221,755	79,478
– Overprovision in prior periods	(4,252)	(11,125)
Current tax charge – total	217,503	68,353
Deferred tax credit	(14,863)	(18,104)
	202,640	50,249

5. FINANCE COSTS / PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(a) Finance costs		
Interest expense on bank and other borrowings	38,027	69,969
Interest expense on lease liabilities	71,482	61,059
	<u>109,509</u>	<u>131,028</u>
(b) Profit for the period		
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	1,412,691	1,211,732
Depreciation of right-of-use assets	624,544	567,832
Depreciation of property, plant and equipment	270,914	273,466
Net changes in allowance for inventories (included in cost of sales)	(12,861)	(28,222)
Amortisation of intangible assets (included in selling and distribution expenses)	50,520	51,483
Gross rental income from investment properties, net of direct expenses	(2,296)	(1,995)
Loss on disposal of property, plant and equipment (included in other operating income and gains (losses))	19,191	16,830
Impairment (reversal)/losses recognised on trade and other receivables, net (included in other operating income and gains (losses))	(3,953)	4,934
Impairment loss of an intangible asset (included in other losses)	10,172	–

For the six months ended June 30, 2021 and 2020, cost of inventories recognised as an expense represents cost of sales as shown in the condensed consolidated income statement.

6. DIVIDENDS

No dividend were paid or declared for both interim periods.

Subsequent to the end of the current interim period, the Directors of the Company have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2020: 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,	
	2021	2020
	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	635,852	12,314
	5,193,775,897	5,260,779,468
	18,199,130	36,114,105
	5,211,975,027	5,296,951,197

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 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 both periods.

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, 2021 <i>RMB'000</i> (unaudited)	At December 31, 2020 <i>RMB'000</i> (audited)
0 – 30 days	1,229,779	1,634,315
31 – 90 days	162,778	68,601
Over 90 days	2,962	47
	<u>1,395,519</u>	<u>1,702,963</u>

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, 2021 <i>RMB'000</i> (unaudited)	At December 31, 2020 <i>RMB'000</i> (audited)
0 – 30 days	1,309,277	1,451,157
31 – 90 days	8,494	8,033
Over 90 days	8,447	7,170
	<u>1,326,218</u>	<u>1,466,360</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Environment

Retail sentiment in China performed up and down throughout the first half of 2021, with consumption surpassing the pre-COVID-19 pandemic (the “Pandemic”) levels, particularly in the first quarter of 2021 when it produced a strong bounce back in revenue and margins.

However, the market dynamics happened in late March 2021 impacted the Group’s sales performance in the second quarter of 2021. Nevertheless, the Group kept leveraging on the continued integration of omni-channels – including public and private traffic domains with its scale-up and efficient brick and mortar (“B&M”) distribution network in China trying to generate satisfactory results for the shareholders. The outlook of sports industry remains robust and promising in China as more individuals built up exercise habits more frequently and further develop their passions for sports and better health. Beijing 2022 Winter Olympics and other national sports events would also accelerate the awareness of healthy lifestyle in China.

Channel Management – B&M

Sales momentum within the Group’s B&M store network was very strong in the first quarter though experiencing headwinds during the second quarter of 2021 amidst the market dynamics. The Group continued to improve the efficiency of B&M stores during the period under review by measures focusing on the improvements of store productivities (i.e. sales per square meter), in addition to the closures of underperforming stores. As at June 30, 2021, the Group’s retail network consisted of 4,968 directly operated stores and 3,860 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the six months ended:

	June 30, 2021	June 30, 2020
At the beginning of the period	5,240	5,883
Net decrease in the number of stores	<u>(272)</u>	<u>(286)</u>
At the end of the period	<u>4,968</u>	<u>5,597</u>

Numbers and percentages of directly operated stores by size:

	June 30, 2021		June 30, 2020	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Selling area				
300 m ² or smaller	4,267	85.9	5,023	89.7
Larger than 300 m ²	701	14.1	574	10.3
Total	4,968	100.0	5,597	100.0

B&M retail channels remain a critical and irreplaceable sales touchpoint for consumers in China who want to discover and experience a unique and personalised shopping experience for sports products and services. The Group increased its capital expenditure and continued to invest in optimising store formats while accelerating its digital transformation by integrating its WeChat stores, membership programme and sports services to enrich the consumer experience and stimulate more higher-margin in-season sale within its offline network throughout the period under review.

Channel Management – Omni-channels

The Group continued to further integrate its omni-channels into its overall sales structure during the first half of 2021, including sales via public traffic domains like Tmall, JD, VIPshop, Douyin etc., as well as via the private traffic domain, the Group’s scale-up ‘Pan-WeChat Ecosphere’, to engage with consumers.

These diverse channels include its fast-growing WeChat stores, in which its ExP (Energy x Power) membership platform is embedded to provide value-added services, diverse content and members-exclusive benefits, as well as livestreams on Douyin conducted by designated Key Opinion Staff. The interactive digital channels allow us to offer customised services and lift customer stickiness that help increase conversion rate with margin improvement. The Group continued to prioritise investing in and allocating resources to its private traffic channels and other online B2C channels, resulting in the contribution from these channels increasing further in the first half of 2021, as compared to the first half of 2020.

Investment in Sports Services

With the resumption of selected sports events across China, the Group continued to organise online sports events to maintain its engagement with customers. It also continued to leverage the YYsports mobile application in the Greater China region, boosting the Group’s ExP programme while offering diversified sports services content, interactive features, and other related services, to support in-depth membership management, to facilitate a seamless online and offline customer experience.

To accelerate the ExP sports services ecosystem to Mainland China in addition to the 1st pilot store in Taiwan in April 2020, the Group opened its second sports services store – ‘Next Store’ – in Shenyang in June 2021. The new and large-scale ‘Next Store’ in mainland China will further support the growth of the Group’s omni-channel capabilities, in which services can be modularised for customisation and then be integrated into the Group’s other B&M stores as required. ‘Next Store’ acts as a service hub: incorporating a wide and diverse range of sporting products by digital approach, alongside sports travel packages, regular broadcasting, unique reading/meditation environments, café corner, 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 headquarters professional team and branch offices nationwide. The Group is also continuing to add diverse contents and intellectual property activities/events to attract consumers to its B&M stores and digital platforms to help achieve excellent conversion rates and widespread community interest.

Operational Excellence

The Group’s working capital days further improved to 120 days in the first half of 2021, compared to 155 days for the first six months of 2020 and 142 days for the 2020 financial year. The Group continued to reinforce its product sharing platform (“PSP”) and started to launch a pilot Omni Hub programme with brand partners to efficiently share products across different online platforms, optimise its inventory mix and reduce idle inventory. It also continued to invest in its business intelligence system and digital tools to increase its operational excellence and operational efficiency, particularly in areas such as real-time in-store efficiency and resource optimisation. Thus, the Group’s inventory turnover days decreased to 129 days in the first half of 2021, compared to 146 days in the first half of 2020.

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.

With the continuing improvements of operating efficiency, the Group maintained a low net debt to equity ratio at 1.5% (December 31, 2020: 2.6%)

Performance Analysis

Financial Review

In the first half of 2021, the Group recorded revenue of RMB13,073.9 million, representing an increase of 11.4% compared with the same period of last year. Gross profit was RMB4,722.1 million, an increase of 34.1% when compared to the same period of last year. Profit attributable to owners of the Company for the first half of 2021 was RMB635.9 million.

Revenue

The Group's total revenue in the first half of 2021 increased 11.4% to RMB13,073.9 million, as compared with the same period of last year. The increase was mainly attributed to the strong consumption recovery in the first quarter, despite the impact of the market dynamics that started since late March 2021, which weighed on its performance in the second quarter of 2021.

	For the six months ended June 30,		
	2021	2020	Change
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	13,073.9	11,740.2	11.4%
Cost of sales	(8,351.8)	(8,220.1)	1.6%
Gross profit	4,722.1	3,520.1	34.1%
Gross profit margin (%)	36.1%	30.0%	6.1 ppt

Gross Profit

The Group's gross profit in the first half of 2021 amounted to RMB4,722.1 million with a gross profit margin of 36.1%. The gross profit margin increased 6.1 percentage points compared to the same period of last year, which was mainly attributed to effective promotion strategy, disciplined discounts control and enhanced sales mix.

Selling & Distribution Expenses and Administrative Expenses

Selling and distribution expenses in the first half of 2021 were RMB3,606.9 million (first half of 2020: RMB3,023.8 million), accounting for 27.6% of the Group's revenue (first half of 2020: 25.8%). The selling and distribution expenses primarily include concessionaire fee, depreciation of right-of-use assets in relation to stores, sales personnel salaries and commissions, other depreciation and amortisation charges, and other expenses which mainly include store operation expenses, property management fees, logistic expenses and online service fees.

General and administrative expenses in the first half of 2021 were RMB404.5 million (first half of 2020: RMB435.4 million), accounting for 3.1% of the Group's revenue (first half of 2020: 3.7%). The general and administrative expenses primarily include management and administrative personnel salaries, depreciation and amortisation charges and other expenses.

The Group's selling and distribution expenses and administrative expenses in the first half of 2021 were RMB4,011.4 million, an increase of 16.0% compared to the same period of last year. This was equivalent to 30.7% of total revenue, an increase of 1.2 percentage points year-on-year.

Operating Profit

The Group's operating profit in the first half of 2021 was RMB933.4 million, with an operating margin of 7.1%.

Finance Income and Finance Cost

Finance income in the first half of 2021 was RMB14.6 million, compared to RMB6.9 million in the same period of last year. Finance costs in the first half of 2021 was RMB109.5 million, compared to RMB131.0 million in the same period in 2020, primarily as a result of a decrease in bank borrowings.

Profit for the Period

As a result of the aforementioned efforts, the Group recorded a net profit of RMB650.3 million in the first half of 2021.

Working Capital Efficiency

The average inventory turnover period for the first half of 2021 improved further to 129 days (first half of 2020: 146 days). Inventory efficiency was resilient as a result of efficient in-season procurement strategy, diversified promotion strategy and channel structure optimisation. The balance of inventory as at June 30, 2021 was RMB6,063.9 million as a result of the Group's continued effort in diligently managing inventory levels to optimise working capital efficiency. The average trade receivables turnover period was 21 days (first half of 2020: 25 days), which remained consistent with the credit terms of 30 to 60 days that the Group gave its department store counters and retail distributors. The average trade payables turnover period in the first half of 2021 was 30 days (first half of 2020: 16 days).

Liquidity and Financial Resources

As at June 30, 2021, the Group recorded solid cash and cash equivalents amounting to RMB1,789.9 million (December 31, 2020: RMB1,742.3 million), as it continued to increase its operating efficiency and asynchronous payment dates while working capital (current assets minus current liabilities) was RMB4,896.5 million (December 31, 2020: RMB3,991.3 million). Total bank borrowings was further reduced to RMB1,915.6 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.

The Group's gearing ratio as of June 30, 2021, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 22.5% (December 31, 2020: 24.7%).

The net cash generated from operating activities in the first half of 2021 was RMB989.4 million. The Group believes its liquidity requirements will be satisfied with the combination of capital generated from operating activities and future bank borrowings. The net cash used in investing activities in the first half of 2021 was RMB195.5 million, while the net cash used in financing activities was RMB746.0 million.

Capital Expenditure

The Group began to resume its capital expenditure plan in the first half of 2021, particularly the elements that were delayed in 2020 due to the Pandemic. This includes strategic opening of new stores, on-going upgrade and expansion of its experience-driven B&M stores for offering a better shopping experience, store productivity improvement as well as further optimisation of online and retail networks for capturing growth opportunities. Total capital expenditure in the first half of 2021 rose to RMB223.5 million (first half of 2020: RMB163.3 million). As at June 30, 2021, the Group had no material contingent liabilities. At the end of the current interim period, capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements was RMB113.9 million (December 31, 2020: RMB140.0 million), and the Group entered into new leases for several retail stores that have not yet commenced, with an average non-cancellable period ranging from 3 to 5 years (2020: 3 to 5 years), the total future undiscounted cash flows over the non-cancellable period amounted to RMB61.1 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 June 30, 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 the first half of 2021 were in accordance with the Group's internal policies and guidelines.

Prospects and Future Developments

According to the National Bureau of Statistics in China, total retail sales of consumer goods increased 23.0% year-on-year from January through June 2021. Sales of garments, footwear, hats and knitwear rose 33.7% year-on-year during the Jan-Jun period. These data demonstrates the long-term growth opportunities present in China's sportswear and sports consumption markets. Although the Group's short-term performance was influenced by the market dynamics, we expect the recovery path to continue in neutral optimistic manner, backed by optimised channel structure and excellent operational efficiency. This will continue to be supported by increasing health awareness, growing sports participation rates, and the growth of the athleisure trend in the Greater China region, each of which is to be strengthened further post-Pandemic.

Ongoing digital transformation remains a key priority, as the Group continues to expand and further diversify its omni-channels. With the Group's continued diversification of its omni-channels and effective inventory management, B2C sales will continue to outstrip B2B sales. This trend will be further supported by the new B2C channels, led by the Group's 'Pan-WeChat Ecosphere', namely through sales brought in by its WeChat stores, Douyin live-streaming shopping events, together with value-added sports services provided to customers, shopping mall digital platforms as well as stronger partnerships with major platforms that encourage both in-store and omni-channel sales and help facilitate further margin improvement.

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 its margin growth through its PSP, a better procurement strategy, as well as more effective inventory management which will be further facilitated by several strategic projects such as inventory integration and dual membership with brand partners to better approach customers.

Capital expenditure including the continued upgrade and expansion of its experience-driven B&M stores to offer a better shopping experience, as well as the further optimisation of both its online and retail networks is critical to capture growth opportunities.

The Group will continue to expand the scale of its interaction with consumers to 365-day communications and encourage normal-day sales by cooperating with brand partners and by connecting brands' products to relevant sports events and services. Leveraging the above strategies, the Group expects to sustain its growth momentum, further enhance its long-term performance and profitability and is also well-positioned to benefit from the increasing health consciousness among consumers alongside supportive government measures.

With increasing COVID-19 vaccine doses administered across China and rapid global vaccination campaigns in the rest of the world, the Group is cautiously optimistic about its prospects in the coming years though the market dynamics happened at the end of Q1 2021 did cause some market shares shifting to local China brands. There is substantial scope for long-term growth opportunities that will maximise returns for the Group's customers, partners, employees and shareholders.

Human Resources

As at June 30, 2021, the Group had approximately 31,200 employees in total. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. The Company offers 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

SHARE OPTION SCHEME

The share option scheme of the Company was adopted by the shareholders of the Company (the “Shareholders”) on May 14, 2008 (the “Share Option Scheme”), certain terms of which were amended on March 7, 2012, and was valid and effective for a period of ten years from the date of adoption. The Share Option Scheme expired at the end of the day on May 13, 2018, after which no further share options should be offered or granted. However, the share options granted prior to the expiration of the Share Option Scheme shall continue to be valid and exercisable within their respective prescribed exercisable periods.

As at June 30, 2021, an aggregate of 31,125,000 ordinary shares of the Company (the “Shares”) have been issued and an aggregate of 1,166,320 Shares may be issued upon exercise of share options granted under the Share Option Scheme.

SHARE AWARD SCHEME

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

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

During the six months ended June 30, 2021, 8,340,000 share awards were granted, 1,163,600 share awards lapsed or were cancelled and 8,888,000 share awards were vested under the Share Award Scheme. As at June 30, 2021, an aggregate of 17,885,600 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, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares listed and traded on the Stock Exchange (six months ended June 30, 2020: 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, 2021, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

Deloitte Touche Tohmatsu, certified public accountants, the independent auditor of the Company has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2021 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, 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Following specific enquiry by the Company to all Directors, each of them has confirmed that he/she has complied with the required standard set out in the Model Code throughout the six months ended June 30, 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The interim report 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 period.

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, August 12, 2021

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