# 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, 2022

**THE GROUP'S FINANCIAL HIGHLIGHTS**

| **Financial performance** | **For the year ended December 31, 2022** *RMB'000* | 2021 *RMB'000* | **Change** |
|---|---|---|---|
| Revenue | **18,638,021** | 23,350,235 | **-20.2%** |
| Gross profit | **6,688,046** | 8,299,283 | **-19.4%** |
| Operating profit | **414,530** | 928,457 | **-55.4%** |
| Profit attributable to owners of the Company | **89,164** | 356,587 | **-75.0%** |
| Gross profit margin *(%)* | **35.9%** | 35.5% | **0.4 ppt** |
| Operating profit margin *(%)* | **2.2%** | 4.0% | **-1.8 ppt** |
| Basic earnings per share *(RMB cents)* | **1.72** | 6.86 | **-74.9%** |
| Dividend per share | | | |
| Final dividend (proposed) *(HK$)* | **–** | 0.016 | **-100.0%** |

| **Financial position** | **As at December 31, 2022** *RMB'000* | 2021 *RMB'000* | |
|---|---|---|---|
| Inventories | **6,071,858** | 7,578,037 | **-19.9%** |
| Trade and other receivables | **2,149,713** | 2,807,379 | **-23.4%** |
| Bank balances and cash | **1,190,148** | 1,233,783 | **-3.5%** |
| Bank borrowings | **456,162** | 1,581,640 | **-71.2%** |

## 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, 2022 with comparative figures for the corresponding year in 2021 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended December 31, 2022*

| | Notes | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|---|
| Revenue | 3 | **18,638,021** | 23,350,235 |
| Cost of sales | | **(11,949,975)** | (15,050,952) |
| Gross profit | | **6,688,046** | 8,299,283 |
| Other operating income and gains (losses) | | **342,839** | 458,017 |
| Selling and distribution expenses | | **(5,806,761)** | (6,962,403) |
| Administrative expenses | | **(809,594)** | (866,440) |
| Operating profit | | **414,530** | 928,457 |
| Finance costs | | **(166,759)** | (202,932) |
| Finance income | | **22,235** | 28,079 |
| | | **(144,524)** | (174,853) |
| Share of results of joint ventures | | **–** | (163,512) |
| Other losses | 4 | **(7,143)** | (15,972) |
| Profit before taxation | | **262,863** | 574,120 |
| Income tax expense | 5 | **(162,625)** | (198,365) |
| **Profit for the year** | 6 | **100,238** | 375,755 |
| Attributable to: | | | |
| Owners of the Company | | **89,164** | 356,587 |
| Non-controlling interests | | **11,074** | 19,168 |
| | | **100,238** | 375,755 |
| Earnings per share | 8 | | |
| – Basic | | **RMB1.72 cents** | RMB6.86 cents |
| – Diluted | | **RMB1.72 cents** | RMB6.84 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended December 31, 2022*

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **100,238** | 375,755 |
| **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)** | (106) |
| *An item that may be reclassified subsequently to profit or loss* | | |
| Exchange differences arising on the translation of foreign operations | **(1,790)** | (139) |
| Other comprehensive expense for the year | **(2,945)** | (245) |
| **Total comprehensive income for the year** | **97,293** | 375,510 |
| Attributable to: | | |
| Owners of the Company | **86,219** | 356,342 |
| Non-controlling interests | **11,074** | 19,168 |
| | **97,293** | 375,510 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At December 31, 2022*

| | *Note* | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **87,700** | 88,900 |
| Property, plant and equipment | | **886,396** | 1,122,074 |
| Right-of-use assets | | **2,281,544** | 2,890,219 |
| Deposits paid for acquisition of property, plant and equipment | | **36,934** | 44,792 |
| Rental deposits | | **143,467** | 168,453 |
| Intangible assets | | **61,815** | 70,253 |
| Goodwill | | **522,163** | 522,163 |
| Interests in joint ventures | | **–** | – |
| Equity instrument at fair value through other comprehensive income | | **1,813** | 3,019 |
| Deferred tax assets | | **161,321** | 56,145 |
| | | **4,183,153** | 4,966,018 |
| **Current assets** | | | |
| Inventories | | **6,071,858** | 7,578,037 |
| Trade and other receivables | 9 | **2,149,713** | 2,807,379 |
| Taxation recoverable | | **3,989** | 73,763 |
| Bank balances and cash | | **1,190,148** | 1,233,783 |
| | | **9,415,708** | 11,692,962 |

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 10 | **2,190,904** | 3,542,079 |
| Contract liabilities | | **447,916** | 445,644 |
| Taxation payable | | **71,599** | 40,332 |
| Bank borrowings | | **456,162** | 1,581,640 |
| Lease liabilities | | **774,164** | 978,018 |
| | | **3,940,745** | 6,587,713 |
| **Net current assets** | | **5,474,963** | 5,105,249 |
| **Total assets less current liabilities** | | **9,658,116** | 10,071,267 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **24,569** | 26,207 |
| Lease liabilities | | **1,439,627** | 1,842,864 |
| | | **1,464,196** | 1,869,071 |
| **Net assets** | | **8,193,920** | 8,202,196 |
| **Capital and reserves** | | | |
| Share capital | | **46,438** | 46,438 |
| Reserves | | **8,067,815** | 8,049,026 |
| Equity attributable to owners of the Company | | **8,114,253** | 8,095,464 |
| Non-controlling interests | | **79,667** | 106,732 |
| **Total equity** | | **8,193,920** | 8,202,196 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is Major Focus Management Limited, a company incorporated in the British Virgin Islands and the ultimate parent of the Company is Pou Chen Corporation, a company listed on the Taiwan Stock Exchange Corporation. The shares of an intermediate holding company of the Company, Yue Yuen Industrial (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, are also listed on the Stock Exchange.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of 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 International Financial Reporting Standards Interpretations Committee (the "Committee") of the International Accounting Standards Board 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. The application of Committee's agenda decision results in change in accounting policy for inventories.

The application of amendments to HKFRSs and the Committee's agenda decision in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 3. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales. The Group's results and revenue are reported as a whole on a regular basis to the chief operating decision maker, being the executive directors of the Company, for the purposes of performance assessment and resource allocation. No other discrete financial information is presented other than entity-wide disclosures.

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of sportswear and footwear products | **18,528,602** | 23,222,060 |
| Commissions from concessionaire sales | **109,419** | 128,175 |
| | **18,638,021** | 23,350,235 |

## 4. OTHER LOSSES ARISING OTHER THAN OPERATING ACTIVITIES

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss on disposal of subsidiaries | **(5,943)** | – |
| Impairment loss recognised on an intangible asset | **–** | (10,172) |
| Fair value changes on investment properties | **(1,200)** | (5,800) |
| | **(7,143)** | (15,972) |

## 5. INCOME TAX EXPENSE

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Taxation attributable to the Company and its subsidiaries: | | |
| People's Republic of China ("PRC") | | |
| Enterprise Income Tax ("EIT") *(note)* | | |
| – Current year | **224,851** | 229,368 |
| – Under(over)provision in prior years | **9,806** | (4,807) |
| Withholding tax on dividend | **34,846** | – |
| Current tax charge | **269,503** | 224,561 |
| Deferred tax credit | **(106,878)** | (26,196) |
| | **162,625** | 198,365 |

*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 rate of 15% from local tax bureaus.

## 6. PROFIT FOR THE YEAR

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' and the chief executives' emoluments | **3,881** | 3,244 |
| Retirement benefit scheme contributions, excluding directors and the chief executives | **381,645** | 350,096 |
| Equity-settled share-based payments, excluding directors and the chief executives | **3,130** | 4,553 |
| Other staff costs | **2,036,942** | 2,406,214 |
| Total staff costs | **2,425,598** | 2,764,107 |
| Auditor's remuneration | **5,587** | 5,807 |
| Depreciation of property, plant and equipment | **481,651** | 540,672 |
| Depreciation of right-of-use assets | **1,082,593** | 1,234,609 |
| Amortisation of intangible assets (included in selling and distribution expenses) | **8,438** | 99,913 |
| Impairment loss on property, plant and equipment and right-of-use assets (included in selling and distribution expenses) | **20,000** | – |
| Gross rental income from investment properties, net of direct expenses | **(3,934)** | (4,221) |
| Net changes in allowance for inventories | **76,018** | 32,456 |

For the years ended December 31, 2022 and 2021, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

For the year ended December 31, 2022, the novel coronavirus (COVID-19) pandemic related government grants/assistance amounted to RMB21,329,000 (2021: RMB7,865,000) were deducted from staff costs.

## 7. DIVIDENDS

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Dividend recognised as distribution during the year: | | |
| 2021 final dividend of HK$0.016 per share (2021: nil) | **70,805** | – |

Subsequent to the end of the reporting period, the Directors resolved not to recommend payment of a final dividend in respect of the year end December 31, 2022.

## 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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Earnings: | | |
| Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share | **89,164** | 356,587 |

| | **2022** | 2021 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **5,174,290,612** | 5,194,816,603 |
| Effect of dilutive potential ordinary shares: | | |
| – unvested awarded shares | **2,806,716** | 17,765,765 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **5,177,097,328** | 5,212,582,368 |

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company. The computation of diluted earnings per share for the year ended December 31, 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 of shares.

## 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 RMB862,084,000 (2021: RMB1,165,003,000) 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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 30 days | **820,300** | 1,105,075 |
| 31 – 90 days | **41,784** | 59,225 |
| Over 90 days | **–** | 703 |
| | **862,084** | 1,165,003 |

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of RMB819,396,000 (2021: RMB1,655,096,000) and an aged analysis based on the invoice date/issuance date of the bills at the end of the reporting period, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 30 days | **518,651** | 1,654,102 |
| 31 – 90 days | **745** | 10 |
| Over 90 days | **300,000** | 984 |
| | **819,396** | 1,655,096 |

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*

Outside of a short-lived spending rebound at the beginning of the year, retailers across mainland China faced enormous challenges in 2022. Throughout most of the year, control measures aimed at avoiding the mass spread of the COVID-19 pandemic (the "Pandemic"), including an escalating number of lockdowns in specific cities and transportation controls, pushed down traffic. Low and volatile foot traffic became the "new normal" as consumers adjusted their behaviour even in areas not subject to control measures. Further, in December, when almost all Pandemic control measures in mainland China were lifted, footfalls fell even further as COVID-19 cases in major cities rose rapidly and most consumers sheltered at home. According to the figures released by National Bureau of Statistics of China, retail value of garments, footwear, hats and knitwear fell by 6.5% year-on-year, highlighting the scale of the challenge faced by the entire footwear and apparel retail sector.

The Group could not escape these headwinds. Despite starting off the year strongly, its sales momentum was soon hit by the temporary shuttering of some of its stores in regions subject to government-imposed lockdowns, as well as by a severe drop in store traffic nationwide, especially in higher-end shopping venues in higher tier cities where the Group operates. Other challenges, such as disrupted logistics and hindered last-mile delivery, further dampened the situation, especially in the first half of 2022. Mixed and volatile retail sentiment delayed the recovery path throughout the year.

While encouragingly, sales recovered sequentially with improving store traffic in selective regions at the end of December, despite a bumpy path of re-opening during the last two months of the year 2022. As a result of the Group's relentless digital transformation, its online B2C sales were relatively resilient with its private domain channels, including its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms, continuing to grow robustly throughout the year, partially offsetting anaemic sales in its brick and mortar ("B&M") network.

To best position itself for the coming economic recovery, the Group continued to be highly agile and flexible in its decision-making and in progressing its retail refinement strategy. This includes further streamlining and upgrading its B&M network while 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. Through the course of this undertaking, it also deepened its engagement with customers and improved its operational efficiency. More importantly, the Group continued to intensify its collaboration with its brand partners to create a seamless shopping experience for its customers while prioritising healthier sales, as well as enhancing membership and inventory integration.

*Hybrid Channel Management – B&M*

Sales momentum within the Group's B&M network was pressured by the weak consumer sentiment caused by outbreaks and lockdowns throughout 2022. The vast surge of the Pandemic became especially pronounced following the lifting of control measures nationwide in December 2022, which further dampened foot traffic and sales. Nevertheless, recovery momentum in the late December benefited from continued in-store traffic improvement in certain regions where the outbreaks started earlier.

During the year, it continued to close or upgrade underperforming stores, 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 and not only in accordance with allocations from brands. As at December 31, 2022, the Group's retail network totalled 7,293 stores, consisting of 4,093 directly operated stores and 3,200 sub-distributor stores across the Greater China region.

Movement of directly operated stores during the year ended:

| | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| At the beginning of the year | **4,631** | 5,240 |
| Net decrease in the number of stores | **(538)** | (609) |
| At the end of the year | **4,093** | 4,631 |

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

| | **December 31, 2022** | | December 31, 2021 | |
|---|---|---|---|---|
| | ***Number*** | ***%*** | *Number* | *%* |
| **Selling area** | | | | |
| 300 $m^2$ or smaller | **3,332** | **81** | 3,879 | 84 |
| Larger than 300 $m^2$ | **761** | **19** | 752 | 16 |
| Total | **4,093** | **100** | 4,631 | 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. Throughout 2022, 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, to enrich the consumer experience and stimulate more repeat purchases, higher units per transaction and higher-margin in-season sales within its offline network.

*Hybrid Channel Management – Omni-channels*

The Group's omni-channels include its public traffic domains, covering the operation of 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 membership platforms. In 2022, it continued to strengthen and grow these omni-channels, further deepening and expanding its engagement with shoppers while delivering better operational efficiency.

The Group's online sales momentum was relatively resilient, with its omni-channels collectively contributing approximately 24% of total sales in 2022, despite volatile retail sentiment caused by lockdowns and control measures. Its private traffic domain channels experienced strong sales growth throughout the year as the Group further elevated its digital sales capabilities. The Pan-WeChat Ecosphere, proving to be an increasingly lucrative and effective sales channel, successfully delivering better conversion rates, shorter sales cycles and more full-price in-season sales transacted at an earlier time.

WeChat stores serve as an extension of its B&M network, providing quality and comprehensive customer services. Within the Pan-WeChat Ecosphere, the Group continued to embed Douyin livestreams conducted by designated Key Opinion Staff, as well as its more value-added services, diverse content and member-exclusive benefits stemming from its integrated membership programmes with its brand customers to achieve quality incremental sales. The Group is continuing to invest in and allocate more resources to its private traffic domain channels to generate sustainable consumer loyalty, boosted by the provision of more membership-related services.

*Enhanced Strategic Alliance with Business Partners*

The Group further deepen strategic partnership with its brand customers, particularly in areas such as an impeccable and diverse shopping experience and consumer connectivity. Leveraging its YYsports WeChat Mini-Program in the Greater China region, it continued to boost its 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 customer experience. Through the increased integration and direct connection of our membership programmes with brand partners, it further supported membership growth and increased in-season sales volumes.

Moreover, Group continued to reinforce its product-sharing platform ("PSP") and enhance its Omni-Hub programme with brand partners to efficiently share products and services across different platforms and channels to optimise its inventory mix, accelerate sales cycle and optimise its services to loyal members and consumers.

*Strengthened Operational Excellence with Digital Transformation*

The Group also invested further in the upgrades of its Enterprise Resource Planning ("ERP") system, business intelligence platform, PSP and other digital tools to drive future retail excellence, particularly in areas such as real-time in-store efficiency, resource optimisation as well as membership services through digital empowerment.

The Group's ongoing investments in its omni-channels alongside retail refinement strategy 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 2022, the Group recorded revenue of RMB18,638.0 million, representing a decrease of 20.2% compared with the 2021 financial year. Gross profit was RMB6,688.0 million, representing a decrease of 19.4% when compared to the 2021 financial year. Profit attributable to owners of the Company in 2022 was RMB89.2 million.

### *Revenue*

The Group's total revenue in 2022 decreased 20.2% to RMB18,638.0 million, as compared with the 2021 financial year. Despite a strong start to the year and the continued resilience of the Group's Pan-WeChat Ecosphere, the decrease in revenue was mostly attributed to weak foot traffic and soft consumer sentiment following Pandemic control measures across mainland China.

| | **For the year ended December 31,** | | |
|---|---|---|---|
| | **2022** | 2021 | **Change** |
| | ***RMB million*** | *RMB million* | |
| Revenue | **18,638.0** | 23,350.2 | **-20.2%** |
| Cost of sales | **(11,950.0)** | (15,050.9) | **-20.6%** |
| Gross profit | **6,688.0** | 8,299.3 | **-19.4%** |
| Gross profit margin *(%)* | **35.9%** | 35.5% | **0.4 ppt** |

### *Gross Profit*

The Group's gross profit in 2022 amounted to RMB6,688.0 million with a gross profit margin of 35.9%. Its gross profit margin was resilient year-over-year, increased by 0.4 percentage points compared to the 2021 financial year, as it enhanced its channel mix within the current volatile retail environment.

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

The Group's selling and distribution expenses in 2022 were RMB5,806.8 million (2021: RMB6,962.4 million), accounting for 31.2% of the Group's revenue (2021: 29.8%). 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 2022 were RMB809.6 million (2021: RMB866.4 million), accounting for 4.3% of the Group's revenue (2021: 3.7%). 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 2022 were RMB6,616.4 million, representing a decrease of 15.5% compared to the 2021 financial year. This was equivalent to 35.5% of total revenue, an increase of 2.0 percentage points year-on-year.

### *Operating Profit*

The Group's operating profit in 2022 was RMB414.5 million, with an operating margin of 2.2%.

### *Finance Income and Finance Costs*

Finance income in 2022 was RMB22.2 million, compared to RMB28.1 million in the 2021 financial year. Finance costs in 2022 were RMB166.8 million, decreased by 17.8% as compared to RMB202.9 million in the 2021 financial year, primarily as a result of a decrease in interest expense on lease liabilities during the year.

### *Profit for the Year*

The Group recorded a net profit of RMB100.2 million in 2022, representing a decline of 73.3% as compared to the 2021 financial year.

### *Working Capital Efficiency*

The average inventory turnover period for 2022 was 208 days (2021: 163 days). The balance of inventory as at December 31, 2022 was RMB6,071.9 million, decreased from RMB7,578.0 million as at December 31, 2021, attributed to the Group's efforts to clear excess inventory and to enhance inventory efficiency. The average trade receivables turnover period was 20 days (2021: 22 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 2022 was 38 days (2021: 38 days).

### *Liquidity and Financial Resources*

As at December 31, 2022, the Group has solid cash and cash equivalents amounting to RMB1,190.1 million (December 31, 2021: RMB1,233.8 million) while working capital (current assets minus current liabilities) was RMB5,475.0 million (December 31, 2021: RMB5,105.2 million). Total bank borrowings were further reduced to RMB456.2 million (December 31, 2021: RMB1,581.6 million) and are repayable within one year. Bank borrowings and cash equivalents were mainly denominated in Renminbi. The Group's loans under a fixed rate arrangement made up approximately 92% (December 31, 2021: 99%) of its total bank borrowings.

The Group's gearing ratio as of December 31, 2022, represented by total interest-bearing borrowings (excluding lease liabilities) as a percentage of total equity, was 5.6% (December 31, 2021: 19.3%). The net debt to equity ratio turned to net cash (December 31, 2021: 4.2%).

The net cash generated from operating activities in 2022 was RMB2,666.4 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 2022 was RMB219.8 million, while the net cash used in financing activities was RMB2,488.1 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 further optimising its online and B&M networks to capture growth opportunities. Total capital expenditure in 2022 declined to RMB311.6 million (2021: RMB452.4 million). As at December 31, 2022, the Group had no material contingent liabilities.

As at December 31, 2022, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements was RMB62.7 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 3 years (2021: 1 to 5 years), with the total future undiscounted cash flows over the non-cancellable period amounting to RMB21.4 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 December 31, 2022, the Group had no significant hedging 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 2022 was in accordance with the Group's internal policies and guidelines.

## PROSPECTS AND FUTURE DEVELOPMENTS

Recent surveys suggest that the first wave of Pandemic infections in many major cities and regions in mainland China has already peaked, while near-term consumer sentiment among regions remains volatile. With disrupted logistics and last-mile delivery issues no longer challenges, plus the encouraging sentiment brought by the earlier Chinese New Year in the beginning of year 2023, improving in-store traffic and purchase intent are leading the way to a sound recovery. The Group is cautiously optimistic about an overall rebound of its business in year 2023 as footfall returns gradually across the nation and forthcoming recovery in consumption, paying the way for its sales growth.

The Group will continue to accelerate its digital transformation, in particular leveraging the outperformance of its Pan-WeChat Ecosphere to drive its profitable growth and margin improvement in 2023. It will further grow and promote its integrated membership programmes with brand partners, connecting these membership services with its growing number of digitally enabled stores and allowing customers to access premium member-exclusive products, offers and experiences that are consistent with that available at the directly operated stores of these brands in the Greater China region.

The Group will also push forward its other innovative strategies developed and rolled out with its brand partners, including its rapidly expanding Omni-Hub programme that focuses on inventory sharing. The Group will continue to optimise its omni-channels, aiming to become less reliant on promotions and improving its inventory management efficiency to achieve better margin profile and operational efficiency. It will also further upgrade its ERP system, business intelligence platforms and invest in other digital empowerment 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, and reinforce its in-season sell-through, off-season clearance and margin growth through its PSP with a more agile procurement strategy, and more effective inventory management.

Regarding offline channel, the Group remains focused on its retail refinement strategy-upgrading and refining its B&M network to offer a digitally-enabled, superior customer experience, while exploring new cooperation opportunities with business partners that will ultimately drive sustainable growth. The pace of store adjustments in 2023 is poised to be more normalised under a more stabilised retail environment.

Although the current external environment remains challenging, the prospects for the sports industry in the Greater China region remain bright. 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 December 31, 2022, the Group had approximately 25,800 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 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"). It is funded by the existing shares of the Company and not involving 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 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 year ended December 31, 2022, 1,200,000 share awards were granted, 2,227,700 share awards lapsed or were cancelled and 6,776,800 share awards were vested under the Share Award Scheme. As at December 31, 2022, an aggregate of 8,163,000 share awards which are subject to certain vesting conditions, remain unvested.

## ANNUAL GENERAL MEETING

The forthcoming 2023 annual general meeting of the Company will be held on Thursday, May 25, 2023 (the "2023 AGM"). Notice of the 2023 AGM will be published and issued to the shareholders of the Company (the "Shareholders") in due course.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended December 31, 2022 (2021: HK$0.016 per Share).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to attend and vote at the 2023 AGM (the "Entitlement to 2023 AGM"), the register of members of the Company will be closed from Monday, May 22, 2023 to Thursday, May 25, 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, May 19, 2023. The record date for Entitlement to 2023 AGM will be on Thursday, May 25, 2023.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities (2021: 30,668,000 Shares).

## REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and Messrs. Deloitte Touche Tohmatsu, the independent auditor of the Company (the "Independent Auditor"), the Group's consolidated financial statements for the year ended December 31, 2022, 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, 2022, consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2022, and the related notes thereto as set out in this announcement are in agreement with the amounts as set out in the audited consolidated financial statements of the Group for the year as approved by the Board on March 15, 2023. The work performed by the Independent Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Independent Auditor on this announcement.

## CORPORATE GOVERNANCE

The Company has applied the principles of and has complied with all the applicable code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended December 31, 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 year ended December 31, 2022.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company containing all applicable information required by the Listing Rules will be dispatched to the Shareholders 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 year.

By Order of the Board
**Yu Huan-Chang**
*Chairman*

Hong Kong, March 15, 2023

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

*Executive Directors*
*Mr. Yu Huan-Chang (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*