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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 MARCH 31, 2012

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended March 31, 2012	2011	Percentage increase (decrease)
Revenue *(US$'000)*	**846,108**	771,228	**9.7%**
Operating profit *(US$'000)*	**11,964**	42,183	**(71.6)%**
(Loss) profit attributable to owners of the Company *(US$'000)*	**(17,621)**	34,516	**(151.1)%**
Basic (loss) earnings per share *(US cent)*	**(0.41)**	0.80	**(151.3)%**

RESULTS

The directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are 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 March 31, 2012 with comparative figures for the corresponding period in 2011 as follows:

Condensed Consolidated Income Statement
For the six months ended March 31, 2012

	Notes	**For the six months ended March 31, 2012 US$'000 (unaudited)**	2011 US$'000 (unaudited)
Revenue	3	**846,108**	771,228
Cost of sales		**(589,377)**	(534,601)
Gross profit		**256,731**	236,627
Other income and gains (losses)		**18,810**	18,808
Selling and distribution expenses		**(221,094)**	(179,600)
Administrative expenses		**(42,483)**	(33,652)
Operating profit		**11,964**	42,183
Interests on bank borrowings wholly repayable within five years		**(7,503)**	(5,133)
Finance income		**2,476**	3,248
Finance cost – net		**(5,027)**	(1,885)
Share of results of associates		**117**	(21)
Share of results of jointly controlled entities		**(7,541)**	(4,533)
Gain on deemed disposal of jointly controlled entities		**5,898**	18,767
Gain on disposal of properties		**4,685**	–
Impairment losses of interests in an associate and jointly controlled entities		**(6,290)**	(2,000)
Impairment loss of an available-for-sale investment		**–**	(100)
Fair value changes on derivative financial instruments		**(15,161)**	(4,720)
(Loss) profit before taxation		**(11,355)**	47,691
Income tax expense	4	**(4,369)**	(12,175)
(Loss) profit for the period	5	**(15,724)**	35,516

	Note	For the six months ended March 31, 2012 US$'000 (unaudited)	For the six months ended March 31, 2011 US$'000 (unaudited)
Attributable to:			
Owners of the Company		**(17,621)**	34,516
Non-controlling interests		**1,897**	1,000
		(15,724)	35,516
(Loss) earnings per share	6		
– Basic		**US(0.41) cent**	US0.80 cent
– Diluted		**US(0.41) cent**	US0.80 cent

Condensed Consolidated Statement of Comprehensive Income
For the six months ended March 31, 2012

	For the six months ended March 31, 2012 US$'000 (unaudited)	For the six months ended March 31, 2011 US$'000 (unaudited)
(Loss) profit for the period	**(15,724)**	35,516
Exchange difference arising on translation	**20,955**	14,839
Total comprehensive income for the period	**5,231**	50,355
Attributable to:		
Owners of the Company	**3,105**	48,967
Non-controlling interests	**2,126**	1,388
	5,231	50,355

Condensed Consolidated Statement of Financial Position
At March 31, 2012

	Note	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**136,196**	117,173
Deposit paid for acquisition of property, plant and equipment		**971**	918
Prepaid lease payments		**24,659**	24,321
Rental deposits and prepayments		**26,584**	25,927
Intangible assets		**147,309**	111,882
Goodwill		**91,593**	42,226
Interests in associates		**7,253**	8,387
Loans to associates		**7,644**	7,536
Interests in jointly controlled entities		**28,422**	41,950
Loans to jointly controlled entities		**36,991**	45,878
Deposit paid for acquisition of the remaining interest in jointly controlled entities		**1,963**	1,219
Deposit paid for proposed acquisition of a business		**–**	3,127
Long-term loan receivables		**8,431**	8,311
Available-for-sale investment		**–**	–
Derivative financial instruments		**5,834**	22,363
Pledged bank deposits		**12,687**	12,507
Deferred tax assets		**3,458**	1,978
		539,995	475,703
CURRENT ASSETS			
Inventories		**553,962**	400,806
Trade and other receivables	7	**282,781**	280,717
Prepaid lease payments		**641**	625
Taxation recoverable		**640**	1,369
Amounts due from related parties		**3,746**	3,693
Bank balances and cash		**183,745**	172,688
		1,025,515	859,898
Assets classified as held for sale		**–**	37,168
		1,025,515	897,066

	Note	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	8	**292,557**	279,512
Taxation payable		**5,543**	5,298
Amounts due to related parties		**394**	65
Bank overdrafts		**29,110**	–
Bank borrowings		**285,398**	168,187
		613,002	453,062
NET CURRENT ASSETS		**412,513**	444,004
TOTAL ASSETS LESS CURRENT LIABILITIES		**952,508**	919,707
NON-CURRENT LIABILITIES			
Consideration payable for acquisition of business		**18,410**	–
Deferred tax liabilities		**37,417**	30,403
		55,827	30,403
NET ASSETS		**896,681**	889,304
CAPITAL AND RESERVES			
Share capital		**5,465**	5,513
Reserves		**873,361**	868,819
Equity attributable to owners of the Company		**878,826**	874,332
Non-controlling interests		**17,855**	14,972
TOTAL EQUITY		**896,681**	889,304

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") (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended September 30, 2011.

New and revised standards, amendments and interpretations effective in the current period

In the current interim period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on October 1, 2011. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendment to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[1]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after January 1, 2013
[2] Effective for annual periods beginning on or after January 1, 2015
[3] Effective for annual periods beginning on or after July 1, 2012
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after January 1, 2014

Saved as disclosed in the annual report for the year ended September 30, 2011, the Directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

The Group's operating segments are based on information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purpose of resource allocation and performance assessment, as set out below for which discrete financial information is available.

(i) retailing of sportswear products and footwear products and commissions from leasing of large scale commercial spaces to retailers and distributors for concessionaire sales ("Retail Business");

(ii) distribution of licensed sportswear products and footwear products ("Brand Licensee Business"); and

(iii) manufacturing and sales of OEM footwear products ("Manufacturing Business").

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the periods under review.

For the six months ended March 31, 2012

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales – sportswear and footwear products	743,899	27,632	67,779	839,310	–	839,310
External sales – commissions from concessionaire sales	6,798	–	–	6,798	–	6,798
Inter-segment sales*	–	11,142	–	11,142	(11,142)	–
Total	750,697	38,774	67,779	857,250	(11,142)	846,108
RESULTS						
Segment results	19,674	(6,077)	5,999	19,596	–	19,596
Reconciling items:						
Central administrative expenses						(7,632)
Finance costs-net						(5,027)
Share of results of associates						117
Share of results of jointly controlled entities						(7,541)
Gain on deemed disposal of a jointly controlled entity						5,898
Gain on disposal of properties						4,685
Impairment losses of interests in an associate and jointly controlled entities						(6,290)
Fair value changes on derivative financial instruments						(15,161)
Loss before taxation						(11,355)

Segment revenue and results

For the six months ended March 31, 2011

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales – sportswear and footwear products	661,621	28,670	76,151	766,442	–	766,442
External sales – commissions from concessionaire sales	4,786	–	–	4,786	–	4,786
Inter-segment sales*	–	7,633	–	7,633	(7,633)	–
Total	666,407	36,303	76,151	778,861	(7,633)	771,228
RESULTS						
Segment results	38,949	1,296	8,065	48,310	–	48,310
Reconciling items:						
Central administrative expenses						(6,127)
Finance costs-net						(1,885)
Share of results of associates						(21)
Share of results of jointly controlled entities						(4,533)
Fair value changes on derivative financial instruments						(4,720)
Gain on deemed disposal of a jointly controlled entity						18,767
Impairment losses of interests in an associate and jointly controlled entities						(2,000)
Impairment loss of an available-for-sale investment						(100)
Profit before taxation						47,691

* Inter-segment sales are charged at prevailing market rates.

Segment results represent profit earned by each segment without absorption of reconciling items, details of which are set out above. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	For the six months ended March 31,	
	2012	2011
	US$'000	US$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**336**	395
PRC Enterprise Income Tax ("EIT") *(note ii)*	**6,649**	9,478
Overseas income tax *(note iii)*	**1,174**	857
Underprovision in prior year:		
PRC EIT	**–**	639
	8,159	11,369
Deferred tax (credit) charge	**(3,790)**	806
	4,369	12,175

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period.

(ii) PRC

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 income tax rules and regulations in the PRC, except as follows:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expired or will expire in 2012.

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holiday are allowed to be carried forward to future years until their expiry. However, if an entity did not commence its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries were loss-making up to 2008, their tax holidays are therefore deemed to commence in 2008.

(b) Pursuant to《財政部、國家税務總局、海關總署關於西部大開發税收優惠政策問題的通知》(Caishui【2001】No. 202), the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprise must be engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") pursuant to 《[財政部、海關總署、國家税務總局]關於深入實施西部大開發戰略有關税收政策問題的通知》(Caishui【2011】No. 58) issued in 2011. The Directors of the Company consider that the relevant subsidiaries are engaged in the state-encouraged industries under the Catalogue and continue to enjoy the preferential tax rate of 15% in the current period.

(iii) Overseas

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. LOSS (PROFIT) FOR THE PERIOD

	For the six months ended March 31,	
	2012	2011
	US$'000	US$'000
Loss (profit) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16,483**	13,758
Release of prepaid lease payment	**319**	329
Amortisation of intangible assets (included in selling and distribution expenses)	**3,613**	2,837
Net exchange gain	**(999)**	(882)
Subsidies, rebates and other income from suppliers (included in other income and gains (losses))	**(12,408)**	(10,442)
(Reversal of) impairment loss recognised on trade receivables (included in other income and gains (losses))	**512**	(364)
Reversal of allowance for inventories (included in other income and gains (losses)) *(note i)*	**(1,718)**	(1,250)
Impairment losses of interests in an associate and jointly controlled entities *(note ii)*	**6,290**	2,000

notes:

(i) Certain of the write-down of inventories previously recognised was reversed during the period as evidenced by the subsequent sales of the relevant inventories.

(ii) During the six months ended March 31, 2012, the impairment losses of US$6,290,000 (six months ended March 31, 2011: US$2,000,000) were made in respect of the Group's interests in an associate and jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future. The recoverable amounts of the relevant entities were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant entities from their anticipated disposals less the Group's interests in those entities which the Group expected to dispose of after the end of the respective reporting periods.

6. (LOSS) EARNINGS PER SHARE

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

	For the six months ended March 31,	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings:		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(17,621)**	34,516

	For the six months ended March 31,	
	2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,262,552,581**	4,290,495,163
Effect of dilutive potential ordinary shares:		
Share options	**–**	137,462
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**4,262,552,581**	4,290,632,625

The computation of diluted loss per share for the six months ended March 31, 2012 does not assume the exercise of the Group's share options because the exercise price of those options was higher than the average market price of the shares for the relevant period.

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US$151,568,000 (September 30, 2011: US$170,720,000) and an aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
0 to 30 days	**143,838**	165,904
31 to 90 days	**6,485**	2,869
Over 90 days	**1,245**	1,947
	151,568	170,720

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$118,503,000 (September 30, 2011: US$147,880,000) and an aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
0 to 30 days	**116,084**	145,627
31 to 90 days	**1,340**	1,231
Over 90 days	**1,079**	1,022
	118,503	147,880

Included in other payables at the end of the reporting period is an amount of US$77,265,000 (September 30, 2011: US$3,280,000) representing the consideration payable for the acquisition of subsidiaries and business during the current period.

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended March 31, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For each of our businesses, the retail business distributes a wide range of sportswear products including various footwear, apparel and accessories, for certain leading international and domestic sportswear brands to end customers through our directly operated retail outlets, and also to retail sub-distributors on a wholesale basis, which in turn sell the products through their retail outlets under our supervision. As at March 31, 2012, we had 3,596 directly operated retail outlets, and 2,436 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 894 and 814 respectively. The exclusive distributor contract of Converse's products in the PRC with Converse expired on December 31, 2011, which has affected the Group's retail wholesale business. The Group will develop Reebok and other brand licensee business in order to promote its retail business to fill the vacancy.

For our brand licensee business, to cope with the Group's future plan, we have early terminated respective brand licensee agreements in the Greater China with Wolverine and the PRC with Hush Puppies on April 30, 2012, respectively. At present, we still own exclusive brand licensee of Converse, Reebok and Hush Puppies in the other specific regions in the Greater China. The brand licensee agreements we have entered into typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for products of the licensed brands in specified locations within the Greater China Region for a specified period of time. Moreover, the exclusive brand licensee agreement for Converse in Hong Kong, Macau and Taiwan and for Hush Puppies in Taiwan will expire on December 31, 2012. Currently, we are in negotiation with those brand companies to extend the term of the brand licensee agreement in Taiwan for another one year to December 31, 2013 for Converse and 5 years to 2017 for Hush Puppies, and expect to complete the relevant arrangement shortly.

In our manufacturing business, we manufacture OEM/ODM products for various brands at our Taicang factory, namely Li Ning, ANTA and 361°.

Regarding the joint venture business, the Group completed the acquisition of the remaining equity interests in Hebei Zhanxin and related Nike business on December 1, 2011, which has now become a wholly owned subsidiary of the Group, thereby obtaining the leading position in Hebei market. A series of integration work was immediately commenced. Considering the long-term plan to expand the Group's retail market, regional coverage and to diversify licensee brands, the Group will continue the integration work of business, financial management and system with several quality regional joint ventures, and may only decide to acquire the remaining equity interests of these regional joint ventures when the integration progress becomes mature under a favorable market condition.

FINANCIAL REVIEW

For the six months ended March 31, 2012, the Group recorded revenue of US$846.1 million and loss attributable to owners of the Company of US$17.6 million, representing an increase of 9.7% and a decrease of 151.1% respectively as compared with the same period of last year.

REVENUE

Our revenue increased by 9.7% to US$846.1 million for the six months ended March 31, 2012 as compared with the same period of last year. This increase was primarily due to the continuing growth in our retail business where the growth comprised factors in relation to the acquisition of Nike business of Hebei Zhanxin, a joint venture, and the successive recognition of acquired business of Pendga. Excluding such acquisitions, the Group's revenue for the current period would have been US$806.3 million, representing an increase of 4.5% on a year-on-year basis.

Retail Business

Revenue from our retail business increased by 12.6% to US$750.7 million as compared with the same period of last year. Although the exclusive distributor contract of Converse's products in the PRC with Converse expired on December 31, 2011, which has affected the Group's retail wholesale business, the revenue from retail business still recorded a double-digit increase as a result of the acquisitions and the natural growth of the retail business.

Brand Licensee Business

Revenue from our brand licensee business decreased by 3.6% to US$27.6 million as compared with the same period of last year, which was primarily due to the early termination of the respective brand licensee agreements with Wolverine and Hush Puppies in the Greater China and the PRC respectively.

Manufacturing Business

Revenue growth from our manufacturing business decreased by 11% to US$67.8 million as compared with the same period of last year, which was attributable to the decrease of the orders from our major customers due to their inventories for end-customers. However, the average selling price remained stable during the period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$256.7 million for the current period, representing an increase of 8.5% compared with last year. Gross profit margin was 30.3%, representing a decrease of 0.4 percentage point on a year-on-year basic.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group increased to US$263.6 million, representing an increase of 23.6% as compared with the same period of last year. The percentage of such expenses to revenue increased by 3.5 percentage

point year-on-year to 31.2%. The increase in such expenses was partly due to higher overall expenses as a result of the acquisitions and partly due to the undeveloped newly-opened shops, driven by additional staff salaries, rentals, inflation and other factors, resulting in operating cost continue to rise, in particular, staff cost, rentals and concession expenses. The Group intended to focus on control and improvement of the selling and administrative expenses in the second half year.

OPERATING PROFIT

The Group's operating profit during the period decreased to US$12 million, representing a decrease of 71.6% as compared with the same period of last year.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Our share of results of associates and jointly controlled entities were loss of US$7.4 million for the period, this was mainly because (1) the base on which the Group shared the results of these joint ventures diminished during the current period after the acquisition and disposal of relevant joint ventures; and (2) since joint ventures were mostly the licensees of domestic brands, and the effectiveness associated with the channel expansion of some joint ventures slowed down, more efforts were made to reduce inventory and intensify price markdown, which affected the sales and gross profit, thus reducing the profit and resulting in the loss.

GAIN ON DEEMED DISPOSAL OF JOINTLY CONTROLLED ENTITIES

During the period, a non-recurring gain of US$5.9 million on deemed disposal of a jointly controlled entity was recorded after completion of the acquisition of the remaining 55% equity interests in Hebei Zhanxin, as compared with the gain of US$18.8 million for the same period of last year, which was attributable to the acquisition of the remaining equity interests in another joint venture, Zhejiang Yichuan. Because of the different acquisition targets, gains are different.

IMPAIRMENT LOSSES OF INTERESTS IN AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

During the six months ended March 31, 2012, the impairment losses of US$6.3 million were made in respect of the Group's interests in an associate and jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

The fair value changes on derivative financial instruments during the current interim period loss of US$15.2 million, is mainly attributable the expectation of the management that the call option to acquire the relevant interests in a subsidiary, an associate and certain jointly controlled entities would at no time during the remaining exercise period be exercised.

(LOSS) PROFIT FOR THE PERIOD

Our loss for the six months ended March 31, 2012 was US$15.7 million, representing a decrease of 144% as compared with the same period of last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the period were 148 days (2011: 109 days). The increase in the inventory turnover days for the period was partly due to stocking for newly-opened shops and the increase of inventories at the end of the period as a result of the asset acquisition of Pengda, and partly due to lower-than-expected sales for sportswear retail business for the first half year. The Group, however, has actively taken measures to clear stocks so as to adjust inventories and improve cash flows. The average trade receivables turnover days were 35 days (2011: 34 days), which remained consistent with the credit terms of 30 to 60 days that the Group granted to its department store counters and retail distributors. The average trade and bill payables turnover days for the period were 41 days (2011: 39 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at March 31, 2012, the Group's cash and cash equivalents were US$154.6 million (September 30, 2011: US$172.7 million) and the working capital (current assets minus current liabilities) was US$412.5 million (September 30, 2011: US$444 million). Our total bank borrowings increased by 87% to US$314.5 million, from US$168.2 million as at September 30, 2011, all of which are repayable within one year and were denominated mainly in Renminbi, and cash and cash equivalents were mainly held in Renminbi as well. The Group's current ratio was 167.3%, (September 30, 2011: 198%). Gearing ratio (total borrowings divided by total assets) was 20.1% as at March 31, 2012 (September 30, 2011: 12%).

Because of higher inventory level and decreased in trade and other payables for the period as compared with the same period of last year, net cash used in operating activities for the period was US$78.4 million. The Group believes our liquidity requirement will be satisfied with a combination of capital generated from operating activities (for example, the on-going operation of Pengda's business and decrease of inventories) and bank borrowings in the future. Net cash used in investing activities was US$39 million, and capital expenditure used to purchase of property, plants and equipment was US$14 million. Net cash from financing activities was US$97.6 million. During the period, the Group had raised and repaid bank borrowings of US$203.8 million and US$96.1 million, respectively.

PLEDGED BANK DEPOSITS

The pledged bank deposits are placed with a bank for certain banking facilities granted to a former subsidiary of the Group. The pledged bank deposits will be released upon the settlement or termination of the relevant banking facilities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2012, the Group had capital commitments of US$11.1 million and US$1.7 million in respect of acquisition of the remaining interests in a jointly controlled entity and capital investment in jointly controlled entities. In addition, the Group had contingent liabilities of US$7.5 million and US$12.7 million in relation to guarantee given to banks in respect of banking facilities granted to jointly controlled entities and a former subsidiary, respectively.

FOREIGN EXCHANGE

The Group conducts its businesses primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in translation gain or loss in our financial statements as US dollar is used as our reporting currency. As at March 31, 2012, the Group had no significant hedges for the foreign exchange.

PROSPECTS

Currently, statistics indications in different aspects show that the global economy is recovering slowly but is still restrained by various unstable factors, which is full of challenges. Concerns over inflation, imbalanced income in the community and the European debt crisis prevails despite that the economy of China maintains its momentum of high growth, which may affect marginal consumption powers and inclinations of consumers. On the other hand, in respect of the environments of the sportswear industry that the Group operated in, the overheated expansion of the industry amid high-speed development in recent years and the lag effects resulted have led the players in the sports industry to the stage of continuous readjustment of business model and necessary reconstruction in order to adapt to macro and micro economic changes, which could bring about growth opportunities and risks at the same time. As such, in addition to our commitment to continuous growth to maintain our leading position in the market, we will focus more on increasing the productivity of existing stores and exploring new channels or models, for example multi-brand store, as our core growth driver. Moreover, after expansion, acquisition and integration for recent years, we are currently one of the most important worldwide retail customers of Nike, Adidas and Converse. To maintain this advantage, we will prudently exploit the markets in the lower-tier cities and acquire and merge sub-distributors with weak operating capabilities in those cities to meet with the overall strategy of upgrading consumption in the lower-tier cities in the PRC and the expansion of sales channels of brand companies to lower-tier cities. As for higher-tier cities, while streamlining existing brands and channels, we will also intensify our integration with outdoor leisure brands, and enhance the trial of high-end differentiated channels and multi-brand channels such as Adidas Original, Adidas Outdoor, Nike Extreme and Nike Golf, to accommodate with the maturing consumers, affluent middle class and differentiating and personalized consumption demands in higher-tier cities.

In view of the increase in health awareness, disposable income of consumers, sport awareness and participation, the Group remains optimistic about the mid- to long-term future of sports industry. We believe that the demand for functional sports and sports

leisure will bring the second upsurge in the industry within next 5 to 10 years. From a short-term perspective, however, the prevailing economic consolidation period for the industry, slower consumption growth, increase in cost (such as labour cost and rentals), assimilation of brands, and higher density of outlets will cause keen price competition, which results in higher inventory level for retailers, such that this year will be a year of consolidation for sports products industry and thus the Group. Despite of this, there is a dramatic increase in concentration of retailers, which impels brand companies to re-allocate their resources to large-scale retailers and expedites new business models and generates a large number of business opportunities. Besides, due to higher rentals and labour cost in the matured sports markets such as Hong Kong/Taiwan, retailers have to make more turnover frequencies to obtain higher profit margin and investment return. It means that the underdeveloped market in Mainland China still has huge room for improving the prevailing operation conditions.

In the second half year, the Group will be committed to streamline and integrate its business after the expansion in scale. The focus of retail business will be changed to actively adjusting inventories and enhancing the standards of purchase and operation. We should precisely re-position stores, adjust product assortment and mixes and change pricing strategies by more meticulous market deployment, consumer group classification and shopping habits study. We anticipate that with the above efforts, the profitability of the Group will recover to normal level and thus improve.

For our brand licensee business, apart from sports brands, the Group will also identify opportunities among outdoor leisure brand business to grasp market trend and enrich its business portfolio in order to create beneficial foundation for future performance growth. Regarding Reebok brand, the short-term objectives of the Group are to increase brand strength, consolidate product lines and develop designed products which meet the consumers' needs in the PRC market, as well as to actively reform the retail stores of Reebok brand to improve the productivity per store. The mid-term objectives are to further expand its retail and distributing network and achieve economy of scale. The long-term objective is to form a business model with a maximized value chain which combines design, development and production.

In respect of the management of joint ventures, joint ventures are now generally under the stage of business restructure in view of their distributing brands and changes in the retail market conditions in the PRC. This resembles the previous adjustment process of the Group and takes time for improvement. The Group will continue to proactively review the respective business conditions of joint ventures in order to purify in every aspect and consolidate the companies with strategic deployment only when the conditions mature. At the same time, we will also dispose of the non-strategic joint ventures to ensure the profitability of the Group.

We believe that after the adjustment in 2012, the Group will be well positioned for next reform and upspring in the sports industry further with healthy and solid business foundation.

HUMAN RESOURCES

As at March 31, 2012, the Group had a total of 28,700 employees. The Group reviews the performance of its employees regularly, which serves as a consideration basis in annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also make reference to remuneration packages offered by peers in the industry. For our senior management, the Group reward them with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social insurance, mandatory retirement funds, medical coverage and training programs to employees based on their personal career development.

SHARE OPTION SCHEME

In order to provide intensive to eligible participants and the greater flexibility to the board of directors of the Company in the treatment of outstanding options held by the grantees in the event that they cease to become a participant, pursuant to a resolution approved on the annual general meeting of the Company held on March 7, 2012, the share option scheme was amended whereby any unexercised share options will not automatically lapse upon cessation of employment with the Group, subject to certain conditions. Such amendments are applicable retrospectively to the unexercised share options granted on January 20, 2010 and January 21, 2011.

On March 7, 2012, the Company granted to certain participants options under which the holders are entitled to subscribe for ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the Amended Share Option Scheme at an exercise price of HK$1.05 per share. The number of shares exercisable and available for subscription pursuant to the options granted then was 5,400,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended March 31, 2012, the Company repurchased 36,800,000 (six months ended March 31, 2011: Nil) its own shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including direct costs)
		HK$	HK$	HK$
October 2011	34,890,000	1.20	1.00	36,715,000
November 2011	1,910,000	1.19	1.00	2,187,000

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

The repurchase of the Company's shares during the six months ended March 31, 2012 was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Group.

Save as disclosed herein, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended March 31, 2012.

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course have discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended March 31, 2012.

The external auditor has reviewed the interim financial information for the six months ended March 31, 2012 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 Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

During the six months ended March 31, 2012, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code throughout the six months ended March 31, 2012.

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 Stock Exchange (www.hkexnews.hk). The interim report 2012 of the Company will be dispatched to the shareholders of the Company 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 members of the Group for their commitment and dedicated services throughout the period.

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, May 30, 2012

As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and Non-executive Director; Mr. Wu, Pan-Tsu is the Acting Chief Executive Officer and Executive Director; Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien are the Non-executive Directors; and Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, and Mr. Chang Li Hsien, Leslie are the Independent Non-executive Directors.

Website: www.pousheng.com