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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

FINAL RESULTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended September 30,		Percentage increase
	2010	2009	
Revenue *(US$'000)*	**1,323,845**	1,142,293	**15.9%**
Operating profit (loss) *(US$'000)*	**43,528**	(8,046)	**–**
Profit (loss) attributable to owners of the Company *(US$'000)*	**21,287**	(3,696)	**–**
Basic earnings (loss) per share *(US Cent)*	**0.5**	(0.1)	**–**

RESULTS

The directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries collectively referred to as (the "Group") for the year ended September 30, 2010 with comparative figures for the corresponding period in 2009 as follows:

Consolidated Income Statement
For the year ended September 30, 2010

	Notes	**2010** **US$'000**	2009 *US$'000*
Revenue	2	**1,323,845**	1,142,293
Cost of sales		**(926,790)**	(788,760)
Gross profit		**397,055**	353,533
Other income		**15,067**	14,427
Selling and distribution expenses		**(294,960)**	(280,328)
Administrative expenses		**(73,634)**	(95,678)
Operating profit (loss)		**43,528**	(8,046)
Interests on bank borrowings wholly repayable within five years		**(11,510)**	(15,557)
Finance income		**3,708**	3,326
Finance cost – net		**(7,802)**	(12,231)
Share of results of associates		**851**	2,614
Share of results of jointly controlled entities		**9,890**	27,685
Gain on disposals of subsidiaries		**1,776**	–
Gain on deregistration of subsidiaries		**122**	–
Impairment losses of interests in associates		**(1,300)**	–
Impairment losses of interests in jointly controlled entities		**(1,700)**	(6,500)
Impairment loss of an available-for-sale investment		**(900)**	–
Loss on disposals of jointly controlled entities		**(8,203)**	–
Fair value changes on derivative financial instruments		**(6,393)**	(4,423)
Profit (loss) before taxation		**29,869**	(901)
Income tax expense	3	**(9,702)**	(5,349)
Profit (loss) for the year	4	**20,167**	(6,250)

	Note	2010 US$'000	2009 US$'000
Attributable to:			
Owners of the Company		**21,287**	(3,696)
Non-controlling interests		**(1,120)**	(2,554)
		20,167	(6,250)
Earnings (loss) per share	5		
– basic		**US 0.5 cent**	US (0.1) cent
– diluted		**US 0.5 cent**	US (0.1) cent

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2010

	2010 US$'000	2009 US$'000
Profit (loss) for the year	**20,167**	(6,250)
Other comprehensive income (expense)		
Exchange difference arising on translation	**13,765**	(645)
Revaluation increase upon acquisition of subsidiaries	**–**	8,108
Total comprehensive income for the year	**33,932**	1,213
Attributable to:		
Owners of the Company	**34,408**	3,722
Non-controlling interests	**(476)**	(2,509)
	33,932	1,213

Consolidated Statement of Financial Position
At September 30, 2010

	Note	**2010** *US$'000*	2009 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**143,680**	185,951
Deposit paid for acquisition of property, plant and equipment		**465**	4,436
Prepaid lease payments		**27,080**	36,985
Rental deposits and prepayments		**22,375**	29,455
Intangible assets		**70,612**	73,756
Goodwill		**27,622**	27,622
Interests in associates		**7,809**	8,099
Loans to associates		**7,659**	7,499
Interests in jointly controlled entities		**55,014**	77,794
Loans to jointly controlled entities		**58,042**	73,613
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		**19,223**	–
Long-term loan receivables		**17,642**	–
Available-for-sale investments		**100**	1,000
Derivative financial instruments		**46,024**	55,321
Deferred tax assets		**2,293**	1,215
		505,640	582,746
CURRENT ASSETS			
Inventories		**262,049**	300,447
Trade and other receivables	6	**249,164**	192,446
Prepaid lease payments		**654**	1,047
Taxation recoverable		**1,978**	761
Available-for-sale investments		**8,227**	–
Amounts due from related parties		**14,307**	9,225
Bank balances and cash		**178,056**	179,830
		714,435	683,756

	Note	2010 US$'000	2009 US$'000
CURRENT LIABILITIES			
Trade and other payables	7	**167,917**	189,095
Taxation payable		**7,150**	8,622
Amounts due to related parties		**1,024**	1,088
Bank borrowings		**184,353**	253,589
		360,444	452,394
NET CURRENT ASSETS		**353,991**	231,362
TOTAL ASSETS LESS CURRENT LIABILITIES		**859,631**	814,108
NON-CURRENT LIABILITIES			
Bank borrowings		**33,611**	20,652
Deferred tax liabilities		**21,695**	22,880
		55,306	43,532
NET ASSETS		**804,325**	770,576
CAPITAL AND RESERVES			
Share capital		**5,504**	5,504
Reserves		**784,813**	748,827
Equity attributable to owners of the Company		**790,317**	754,331
Non-controlling interests		**14,008**	16,245
TOTAL EQUITY		**804,325**	770,576

Notes to the Consolidated Financial Statements

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)[1]	Improvements to HKFRSs 2008
HKFRSs (Amendments)[2]	Improvements to HKFRSs 2009
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK-Int 5	Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

[1] Except for the amendment to HKAS 1, which was early adopted during the year ended September 30, 2009.

[2] Except for the amendments that are effective for annual periods beginning on or after January 1, 2010.

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after October 1, 2009.

As there was no transaction during the current year in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 is a disclosure standard that requires the identification of reportable segments to be reported on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 2) nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at September 30, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of US$1,197,000 have been classified from non-current liabilities to current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years nor the financial position as at September 30, 2009.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

In the current year, the directors of the Company decided to change the presentation of the consolidated income statement by dividing the income and expense line items into operating and non-operating activities to better reflect the operating results of the Group. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for 2009 and 2010.

The effect of changes in presentation for the prior year by line items presented in the consolidated income statement is as follows:

	Year ended September 30, 2009 *US$'000*
Increase in finance income	3,326
Decrease in other income	(3,326)
Increase in administrative expenses	12,521
Decrease in equity-settled share-based payments	(12,521)
Change in loss for the year	–

No consolidated statement of financial position as at October 1, 2008 is presented as the reclassifications disclosed above have no effect on the financial position of the Group presented in the consolidated statement of financial position for all financial reporting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 as part of Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[7]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[6]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[6]
HKFRS 9 (Revised 2010)	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after January 1, 2010
[2] Effective for annual periods beginning on or after February 1, 2010
[3] Effective for annual periods beginning on or after July 1, 2010
[4] Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate
[5] Effective for annual periods beginning on or after January 1, 2011
[6] Effective for annual periods beginning on or after July 1, 2011
[7] Effective for annual periods beginning on or after January 1, 2012
[8] Effective for annual periods beginning on or after January 1, 2013

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) adds the requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning October 1, 2013 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standard, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from October 1, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. Information reported to the CODM is organised by its four lines of businesses.

In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

In the opinion of the directors, the basis upon which the Group reported its primary segment information under HKAS 14 is the basis on which internal reports are presented to the Company's CODM, being the board of directors, for the purposes of resource allocation and assessment of segment performance. The Group's operating segments under HKFRS 8 are therefore identical to the business segments under HKAS 14. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

The Group's operating segments under HKFRS 8, are as follows:

(i) manufacturing and sales of OEM footwear ("Manufacturing Business");

(ii) retailing of sportswear ("Retail Business");

(iii) distribution of licensed products ("Brand Licensee Business"); and

(iv) Operating and leasing of large scale retail spaces and sportswear malls which are sub-divided and leased to retail distributors ("Property Leasing and Management").

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

	Manufacturing Business	Retail Business	Brand Licensee Business	Property Leasing and Management	Segment total	Eliminations	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended September 30, 2010							
REVENUE							
External sales	**128,825**	**1,140,901**	**44,782**	**9,337**	**1,323,845**	**–**	**1,323,845**
Inter-segment sales*	**–**	**2,831**	**7,371**	**3,157**	**13,359**	**(13,359)**	**–**
Total	**128,825**	**1,143,732**	**52,153**	**12,494**	**1,337,204**	**(13,359)**	**1,323,845**
Segment profit (loss)	**12,073**	**48,057**	**3,437**	**(9,118)**	**54,449**	**–**	**54,449**
Reconciling items:							
Central administrative expenses							**(10,921)**
Finance costs – net							**(7,802)**
Share of results of associates							**851**
Share of results of jointly controlled entities							**9,890**
Gain on disposal of subsidiaries							**1,776**
Gain on deregistration of subsidiaries							**122**
Impairment losses of interests in associates							**(1,300)**
Impairment losses of interests in jointly controlled entities							**(1,700)**
Impairment losses of an available-for-sale investment							**(900)**
Loss on disposals of jointly controlled entities							**(8,203)**
Fair value changes on derivative financial instruments							**(6,393)**
Profit before taxation							**29,869**

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and Management US$'000	Segment total US$'000	Eliminations US$'000	Consolidated US$'000
For the year ended September 30, 2009							
REVENUE							
External sales	120,510	954,938	60,601	6,244	1,142,293	–	1,142,293
Inter-segment sales*	–	–	11,447	2,753	14,200	(14,200)	–
Total	120,510	954,938	72,048	8,997	1,156,493	(14,200)	1,142,293
Segment profit (loss)	11,769	14,967	4,571	(17,367)	13,940	–	13,940
Reconciling items:							
Central administrative expenses							(21,986)
Finance costs – net							(12,231)
Share of results of associates							2,614
Share of results of jointly controlled entities							27,685
Impairment losses of interests in jointly controlled entities							(6,500)
Fair value changes on derivative financial instruments							(4,423)
Loss before taxation							(901)

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

Segment profit (loss) represents profit (loss) earned (incurred) 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 purposes of resource allocation and performance assessment.

3. INCOME TAX EXPENSE

	2010	2009
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax charge		
Current year:		
Hong Kong Profits Tax *(note i)*	**588**	399
PRC Enterprise Income Tax ("EIT") *(note ii)*	**9,687**	4,091
Overseas income tax *(note iii)*	**1,296**	812
(Over) underprovision in prior years:		
PRC EIT	**640**	220
Overseas income tax	**(246)**	–
	11,965	5,522
Deferred tax credit	**(2,263)**	(173)
	9,702	5,349

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

(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 for the followings:

(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 concessions would expire between 2009 and 2012.

(b) Pursuant to《國家稅務總局關於落實西部大開發有關稅收政策具體實施意見的通知》, 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 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.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa [2007] No. 39), the tax concessions from EIT as set out in (a) above continue to be applicable until the expirations of the relevant concessions. Subject to the fulfilments of the conditions set out above, the preferential treatment set out in (b) above continues on the implementation of the Law of the PRC on Enterprise Income Tax.

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 2008 and 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.

(iii) Overseas

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

4. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	US$'000	*US$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments	**1,501**	10,347
Retirement benefit scheme contributions, excluding directors	**8,945**	8,528
Equity-settled share-based payments, excluding directors	**1,477**	4,998
Other staff costs	**120,310**	114,129
Total staff costs	**132,233**	138,002
Auditor's remuneration	**528**	560
Depreciation of property, plant and equipment	**28,935**	33,461
Release of prepaid lease payment	**797**	827
Amortisation of intangible assets	**4,627**	1,152
Loss on disposal of property, plant and equipment	**3,087**	4,177
Impairment loss recognised on trade receivables	**422**	35
Allowance for inventories, net	**1,815**	3,795
Costs of inventories recognised as an expense	**926,790**	788,760
Research and development expenditure recognised as an expense	**2,828**	1,878
Cash discounts from suppliers (included in other income)	**(7,180)**	(4,361)
Income from store displays and related items	**(45)**	(285)
Net exchange gain	**(522)**	(1,423)
Share of taxation of associates (included in share of results of associates)	**502**	1,060
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**3,210**	9,349

5. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	US$'000	*US$'000*
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**21,287**	(3,696)

	2010	2009
Number of shares:		
Number (2009: weighed average number) of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**4,290,495,163**	3,726,010,762

The computation of diluted earnings per share for the year ended September 30, 2010 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 year.

The computation of diluted loss per share for the year ended September 30, 2009 does not assume the exercise of the Group's outstanding Plan Shares under the Pre-IPO Share Subscription Plan (as defined in the Annual Report of the Company) as the subscription price of those Plan Shares were higher than the average market price of the Company for the year then ended prior to its termination on September 4, 2009.

6. TRADE AND OTHER RECEIVABLES

	2010	2009
	US$'000	*US$'000*
Trade receivables	**122,780**	115,469
Deposits, prepayments and other receivables	**126,384**	76,977
	249,164	192,446

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables, based on the invoice date, is as follows:

	2010	2009
	US$'000	*US$'000*
0 – 30 days	**118,858**	108,283
31 – 90 days	**2,902**	5,897
Over 90 days	**1,020**	1,289
	122,780	115,469

7. TRADE AND OTHER PAYABLES

	2010	2009
	US$'000	*US$'000*
Trade payables	**98,944**	120,205
Bills payables	**483**	405
Other payables	**68,490**	68,485
	167,917	189,095

The aged analysis of the Group's trade and bills payables, based on invoice date, is as follows:

	2010	2009
	US$'000	*US$'000*
0 – 30 days	**97,431**	105,539
31 – 90 days	**1,138**	14,620
Over 90 days	**858**	451
	99,427	120,610

FINAL DIVIDEND

The Directors do not propose any final dividend for the year ended September 30, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, March 1, 2011 to Friday, March 4, 2011, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to establish the identity of the Company's shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, March 4, 2011 all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, February 28, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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 part of our strategy to enrich our retail network, brand portfolio and geographic coverage, we have established regional joint ventures in different regions in the PRC with leading local retailer in the past years. Those regional joint ventures operate their retail business under a model similar to ours. As at September 30, 2010, we had 2,295 directly operated retail outlets, and 2,829 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 1,661 and 1,389 respectively (as the Group and relevant joint venture partners had entered into agreements in relation to the disposal of the interests in three regional joint ventures, namely Hubei Jiezhixing Clothing and Accessories Company Limited ("Hubei Jiezhixing"), Zhejiang Jinguan Enterprises Development Company Limited ("Zhejiang Jinguan") and Harbin Shenge Sports Chain Company Limited ("Harbin Shenge"), and the transaction were completed during the fiscal year, the number of outlet operated by the aforementioned regional joint ventures had been excluded from the information of existing joint ventures). The operations of the Group and our other regional joint ventures have spanned over most of the provinces in the PRC.

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely Converse, Wolverine and Hush Puppies. The brand licensee agreements we have entered into typically grant us rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices of products under the licensed brands in specified geographical locations within the Greater China Region for a specified period of time. Currently, we are the exclusive brand licensee for Converse in Hong Kong and Macau until December 31,2010 and in Taiwan until December 31, 2012. The Group is in the process of renewing the brand licensee arrangement for Converse in Hong Kong and Macau for extending two years to December 31, 2012 and anticipated that the procedure will be completed in late January or early February 2011. Since our exclusive brand licensee arrangement with Converse in the PRC has expired on December 31, 2008, starting from January 1, 2009, we become the exclusive distributor of Converse's products in the PRC until December 31, 2011. During the fiscal year, the Group signed an agreement with Reebok, an international brand, pursuant to which the Group will become the exclusive brand licensee for Reebok products in the PRC from January 1, 2011 to December 31, 2015.

In addition, we manufacture OEM/ODM products for various brands at our Taicang factory, namely Li Ning, ANTA, Umbro, Kappa, 361°, Lotto and XTEP.

To further diversify the types of retail channels and promote our "YY Sports" branding, our property leasing and management business has a dedicated unit that searches for and leases retail stores at "sports complex" which contains multiple brands' outlets in one single location. These sports complexes are decorated with the full "YY Sports Store" concept which are then sub-divided and leased to the Group's retail business team or third parties.

For the joint venture business, as part of the long-term plan to expand the Group's retail market, regional coverage and to diversify agency brands, the Group had established joint ventures with several regional joint ventures and continued the business, financial management and system integration with these companies. We may decide to acquire the remaining equity interests of these joint ventures when the integration progress becomes mature under a favorable market condition to enable us to become one of the leading retailers in the Greater China Region.

In addition to the continuous integration of Dalian Dongzhijie Sports Production Development Company Limited ("DZJ") (an associate acquired by the Group last year) frontline business, brand relationship, back-end networks and systems and so on, on August 6, 2010, the Group entered into an Equity Transfer Agreement with its joint venture partners in another regional joint venture, Zhejiang Yichuan Sports Goods Chain Company Limited ("Zhejiang Yichuan"), under which the Group would acquire the remaining 50% equity interest in Zhejiang Yichuan from the joint venture partners. Details of the acquisition are disclosed in the announcement of the Company dated August 6, 2010. The transaction was completed in October 2010, Zhejiang Yichuan has become a wholly owned subsidiary of the Group since then and a series of integration tasks have since commenced. In short, given the integration with its acquisition target, the Group believed that it will be able to achieve its goal to become a leading retailer in the Greater China region gradually.

Besides, for the entire interest and the long-term development of the Group, the Group in the integration process of joint venture companies, will keep negotiating with certain joint venture partners in respect of the disposal of the Group's interest in several joint ventures. During the year, the Group recognized the loss on disposals, which was of non-cash and non-recurring in nature, of three joint ventures and made appropriate provision for the loss arising from the anticipated disposals of certain joint ventures after the end of reporting date. (the Group should have made announcements dated March 11, 2010 and August 12, 2010 respectively in relation to the aforementioned disposals that were in compliance with the announcement requirement of the Hong Kong Stock Exchange).

FINANCIAL REVIEW

For the fiscal year ended September 30, 2010, the Group recorded revenue of US$1,323.8 million, representing an increase of 15.9% as compared with the previous year, while net profit attributable to owners of the Company was US$21.3 million (the profit attributable to owners of the Company reflected an aggregate of US$16.6 million non-recurrent items of loss on disposals of jointly controlled entities, gain on disposals/deregistration of subsidiaries, provision for impairment loss of assets and fair value changes on derivative financial instruments).

While the operation of the Group's business was getting more stable, the overall performance of the regional joint ventures indicated a slowdown as compared with that in the past. Excluding the effect bought by the acquisition and the termination of investment in regional joint ventures, each of the remaining regional joint ventures was affected by its owned operating model and the pace of adjustment that was lagged behind, hence resulting a weaker performance as compared with that in the past. For the fiscal year ended September 30, 2010, regional joint ventures contributed a total of US$10.7 million to the net profit, representing a decrease of 64.7% as compared with the fiscal year ended September 30, 2009. In this regard, the Group discussed with the joint venture partners on operation improvement and reviewed the direction and structure for the investment of joint ventures in order to increase its earnings.

Based on the foregoing, with the initial recovery in the industry, we persisted in strengthening our profitability by continuously focusing on our business nature, for example to improve operation excellence by rationalizing outlets distribution, optimizing inventory level and improving in-line products sell-through. We believe these will eventually create our long term sustainable core competence, hence our margin would be improved and our leading position in the market would be consolidated.

REVENUE

Our revenue increased by 15.9% to US$1,323.8 million for the fiscal year ended September 30, 2010 from US$1,142.3 million for the fiscal year ended September 30, 2009. This increase was primarily due to the continuing growth in our retail, manufacturing and property leasing businesses, including revenue generate after the acquisition of the entire equity interest in DZJ. Excluding such acquisition (ie. excluding the revenue of DZJ in the comparison of both fiscal periods), the Group's revenue for the fiscal year ended September 30, 2010 would have been US$1,084.4 million, representing an increase of 0.4% as compared with US$1,080.4 million for the fiscal year ended September 30, 2009.

Retail Business

Revenue from our retail business increased by 19.5% to US$1,140.9 million for the fiscal year ended September 30, 2010, from US$954.9 million for the fiscal year ended September 30, 2009. This increase was primarily attributable to the acquisition of DZJ, and the reclassification of sales of Converse in the PRC as retail business.

Brand Licensee Business

Revenue from our brand licensee business decreased by 26.1% to US$44.8 million for the fiscal year ended September 30, 2010, from US$60.6 million for the fiscal year ended September 30, 2009, which was primarily due to the expiry of our exclusive brand licensee arrangement with Converse in the PRC on December 31, 2008, and such sales have been reclassified as retail business since January 1, 2009.

Manufacturing Business

Revenue growth from our manufacturing business remained stable, from US$120.5 million for the fiscal year ended September 30, 2009 to US$128.8 million for the fiscal year ended September 30, 2010. The production lines in this fiscal year are 21 while there were 19 in 2009. The capacity utilization rate reached a full-blown status and the average selling price remained stable.

Property Leasing and Management Business

As the environment in which our outlets operated became more mature and the results of the same business under DZJ had been wholly consolidated to the Group's during the year, the revenue from the property leasing and management business of the Group for the fiscal year ended September 30, 2010 increased US$3.1 million to US$9.3 million from US$6.2 million for the fiscal year ended September 30, 2009.

COST OF SALES

Our cost of sales was US$926.8 million for the fiscal year ended September 30, 2010, compared with US$788.8 million for the fiscal year ended September 30, 2009, representing an increase of 17.5%, a higher increase than that of the revenue. This was primarily due to higher markdowns of our products in order to increase the sales and liquidate excessive inventory during the first half of the fiscal year under the prime objectives of optimizing operation management and inventory turnover, which had been gradually improved in the second half of the fiscal year.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the aforementioned changes, the Group's gross profit increased by 12.3% to US$397.1 million for the fiscal year ended September 30, 2010, from US$353.5 million for the fiscal year ended September 30, 2009, while the overall gross profit margin decreased to 30.0% for the fiscal year ended September 30, 2010 as compared with 30.9% for the fiscal year ended September 30, 2009. The decrease in gross profit margin was primarily due to the increased proportion of the lower gross profit margin of the wholesale business in the retail business. In addition, the sales of Converse in the PRC transited into our retail business as exclusive wholesaler, the gross profit margin under which was lower than that under brand licensee business. The gross profit margin of the manufacturing business decreased slightly due to the increase in part of the labor cost and material cost. Hence, the Group had been working hard for solutions, in order to minimize the impact on the rising costs caused by the economic growth of the PRC.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the fiscal year ended September 30, 2010 were US$368.6 million in total, representing an US$7.4 million, or 2.0% decrease, as compared with US$376.0 million for the fiscal year ended September 30, 2009. The Group aimed at rationalizing its operating costs and with a larger proportion of wholesale business, the operating leverage over economy of scale, the percentage of sales under selling and distribution expenses and administrative expenses has decreased from 32.9% for the fiscal year 2009 to 27.8% for the current period. However, because of the termination of the Pre-IPO Share Subscription Plan in the last fiscal year, the balance of the fair value of the subscription right approximately US$12.5 million was recognized as an administrative expense. If excluding such one-off expenses, the expenses absolute amount in the current year still increased which was mainly attributable to: (i) the increase in sales and number of directly operated retail outlets that caused the increase in staffs costs and rental expenses as a result of acquisition of DZJ; (ii) more frequent promotions and mega sales organized for the fiscal year under the objective of continuously inventory adjustment in retail business, which increased the shopping mall expenses (iii) the amortisation of intangible assets arising from the acquisition of DZJ; and (iv) the increase in research and development expenses from the manufacturing business.

OPERATING PROFIT

To sum up the above, the Group's operating profit for the fiscal year ended September 30, 2010 was US$43.5 million, as compared with operating loss of US$8.0 million for the fiscal year ended September 30, 2009. In addition to the overall improvement in the operating environment in the market, the increase in operating profit was also attributable to operating leverage and the improvement in inventory structure.

LOSS ON DISPOSALS OF JOINTLY CONTROLLED ENTITIES

For the fiscal year ended September 30, 2010, the Group recognized a loss of US$8.2 million arising from the disposal of its entire interests in three jointly controlled entities, Hubei Jiezhixing, Zhejiang Jinguan and Harbin Shenge, details of which should have been disclosed in the announcements dated March 11, 2010 and August 12, 2010 respectively made by the Company if the relevant disposals were in compliance with the announcement requirement of the Hong Kong Stock Exchange, and an impairment provision was made in the income statement announced in the quarterly report previously during the period. As the transaction was completed during the fiscal year, the Group recognized the actual loss and reclassified the impairment losses incurred in the year as loss on disposals of jointly controlled entities.

IMPAIRMENT LOSSES OF INTERESTS IN JOINT VENTURES

In order to achieve long-term benefit and strategic deployment, the Group will continue to conduct a review on the investment in regional joint ventures. In addition to the acquisition of the remaining equity interests in some joint ventures at a suitable time, we may also consider disposing of our interests in certain joint ventures. The Group is currently negotiating with several joint venture partners in relation to this. During the year, the impairment losses of approximately US$3.0 million were recognized in respect of the Group's interests in certain joint ventures due to the expected losses arising from our anticipated disposals after the end of the reporting period, of which the amounts were expected to be a non-cash and non-recurring in nature.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value changes on derivative financial instruments were US$6.4 million for the fiscal year ended September 30, 2010, as compared with US$4.4 million for the fiscal year ended September 30, 2009. Assuming that the basic factors used in assessing the value of derivative financial instruments remained constant, the Group expected that the value of derivative financial instruments would decrease year by year due to the shortened remaining years for the exercise of the call options under the relevant Call Options agreements.

INTEREST EXPENSES ON BANK BORROWINGS WHOLLY REPAYABLE WITHIN FIVE YEARS

Our interest expenses on bank borrowings wholly repayable within five years were US$11.5 million for the fiscal year ended September 30, 2010, representing a decrease of 26.3% from US$15.6 million for the fiscal year ended September 30, 2009, primarily as a result of a combination effect of decrease in the amount of the average monthly outstanding borrowings and the floating interest rates thereof remained stable during the period.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Our share of results of associates and jointly controlled entities decreased to US$10.7 million for the fiscal year ended September 30, 2010, from US$30.3 million for the fiscal year ended September 30, 2009. This was mainly because (1) DZJ became the wholly-owned subsidiary of the Group since July, 2009, the financial results of which were consolidated into the Group's, while the Group shared its result for the first nine months of last year, which was reflected under this item; (2) the share of results decreased due to the completion of the disposal of three joint ventures during the period; (3) the slowdown in effectiveness associated with the channel expansion of some joint ventures, more efforts were made to increase sales, intensify price markdown and reduce purchase volume, and consequently, the relevant operating expenses increased and the gross profit was decreased, resulting in decreased contributions.

PROFIT BEFORE TAXATION

Based on the aforesaid reasons, the Group's profit before taxation of US$29.9 million for the fiscal year ended September 30, 2010, as compared with the loss of US$0.9 million for the fiscal year ended September 30, 2009.

INCOME TAX EXPENSE

Our income tax expense was US$9.7 million for the fiscal year ended September 30, 2010, representing an increase of 83.0% from US$5.3 million for the fiscal year ended September 30, 2009, which was primarily due to the increase in profit before taxation in subsidiaries. Except for certain subsidiaries which enjoyed different preferential tax rate, a statutory tax rate of 25% applied to the rest of the Group in the PRC.

PROFIT FOR THE YEAR

Our profit for the fiscal year ended September 30, 2010 was US$20.2 million, as compared with loss of US$6.3 million for the fiscal year ended September 30, 2009.

NON-CONTROLLING INTERESTS

Non-controlling interests were deficit of US$1.1 million for the fiscal year ended September 30, 2010, representing a decrease of US$1.5 million from deficit of US$2.6 million for the fiscal year ended September 30, 2009, which was primarily due to improved operation condition of some of the non-wholly owned subsidiaries for the year as compared with last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the fiscal year ended September 30, 2010 and the fiscal year ended September 30, 2009 were 110.8 days and 127.5 days respectively. The decrease was primarily due to various continued measures taken by the Group in liquidating excess inventory started from 2009, as a result of which the inventory level is currently returned to a reasonable level.

The average trade receivables turnover days for the fiscal year ended September 30, 2010 and the fiscal year ended September 30, 2009 were 32.8 days and 40.4 days respectively. Average trade receivables turnover days 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 fiscal year ended September 30, 2010 and the fiscal year ended September 30, 2009 were 43.3 days and 49.4 days respectively. As the Group recorded a relatively sufficient cash flow from operation for the fiscal year, we continue our plan to use the capital to match the cash rebate policy offered by the brand companies in exchange for quicker payment for merchandise, hence the average trade and bill payables turnover days decreased.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents for the fiscal year ended September 30, 2010 decreased by 0.9% to US$178.1 million, from US$179.8 million for the fiscal year ended September 30, 2009. As at September 30, 2010, the working capital of the Group (current assets minus current liabilities) was US$354.0 million, representing an increase of 53.0% compared with US$231.4 million as at September 30, 2009.

As at September 30, 2010, the Group's current ratio was 198.2%, as compared with 151.1% as at September 30, 2009. The gearing ratio (total borrowings divided by total assets) was 17.9% as compared with 21.7% as at September 30, 2009.

The Group's bank borrowings consisted mainly of short-term loans which roll over continuously upon maturity. As at September 30, 2010, our total bank borrowings decreased by 20.5% to US$218.0 million, from US$274.2 million as at September 30, 2009, of which US$184.4 million are repayable within one year and US$33.6 million are repayable more than one year but not exceeding three years. The bank borrowings were denominated mainly in Renminbi and cash and cash equivalents were mainly held in Renminbi as well.

As at September 30, 2010, net cash from operating activities was US$128.0 million, as compared with US$145.6 million as at September 30, 2009. We believe our liquidity requirement will be satisfied with a combination of the capital generated from operating activities and bank borrowings in the future.

Net cash used in investing activities as at September 30, 2010 was US$59.7 million (included the deposit paid for acquisition of the remaining interest in Zhejiang Yichuan in September), as compared with US$94.9 million as at September 30, 2009. During the period, capital expenditure of US$18.2 million was used in the purchases of fixed assets, plant and equipment.

Net cash used in financing activities as at September 30, 2010 was US$71.8 million, as compared with US$52.6 million as at September 30, 2009. During the period, the Group had raised and repaid bank borrowings of US$317.4 million and US$377.2 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at September 30, 2010, the Group had capital commitments of US$9.0 million and US$1.6 million in respect of acquisition of the remaining interests in a jointly controlled entity and capital investment in jointly controlled entities respectively.

As at September 30, 2010, the Group had contingent liabilities of US$17.4 million in relation to guarantee given to banks in respect of banking facilities granted to jointly controlled entities.

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. For the fiscal year ended September 30, 2010, the Group had no significant hedges for the foreign exchange.

PROSPECTS

Currently, statistics indicate that the macro economy is gradually recovering from its trough in the past. However, concerns over inflation 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 condition of the sportswear industry that the Group operated in, lag effects as a result of the over heated expansion of sportswear retailing industry before and after the Olympics have led the overall industry to the middle stage of re-adjustment and reconstruction, which could bring about growth opportunities and risks at the same time. As a leading sportswear retailer in the industry and in view of this change, the Group still needs to intensify its speed to reform its overall organization, constitution and business model, and to establish a harmony corporate culture and right staff's value, in order to secure its mid- to long-term core competitiveness and then to accomplish it's mission.

Leveraging on the continued restructuring and planning of product purchase and product line profile by the management team over the past year, the Group's current inventory is back to a relatively healthy level. Looking forward, the Group will continue to act with prudence and implement the following strategies after taking into consideration of the general economic condition and its own operations so as to proactively strengthen our position as a leading sportswear retailer in the PRC.

- With our commitment to continuous growth and in order to maintain our leading position in the market, we will focus more on increasing productivity of existing outlets and developing innovative ways or models, for example multi-brand outlet, as our core growth driver. In addition, we will prudently and rapidly expand retail and wholesale roadmap in the Northwest region and lower-tier cities in the PRC to grasp the potential business opportunities created from urbanization and the increase in income per capita, in order to maintain our economy of scale.

- We plan to enhance our operational efficiency by continuing the measures such as rationalizing outlets distribution, optimizing inventory level, improving regular-priced and seasonal products sell-through ratio and other new plans such as streamlining our organizational structure to improve the overall operating performance.

- We will continuously identify opportunities to expand its brand licensee business with an aim to create its business portfolio and enhance the growth niche of results in the future. Regarding Reebok brand, the short-term objectives of the Group are to increase brand strength, restructure product line and develop design products which meet the consumers' needs in the PRC market. The mid-term objectives are to further expand its retail and wholesales network, achieve economics of scale and finally form a business model with a maximized value chain which combines design, development and production. We will continue to further develop our supply chain solutions with the brand companies, which can create initiative models that may create an integrated value chain, optimize inventory management and lower use of working capital during the relatively long operation cycle.

- The Group will divide its future development in three strategic stages:

  Current stage – "complete and internal change"

  To carry out the overall strategies of the Group, the Group will divide its nationwide retail business into several regions and conduct intensive exploration in each geographical location for profit enhancement. For brand licensee development and products procurement, we will adopt a model which will be centralized managed by the headquarter and fully utilize the competitive advantages of resource integration, information sharing management, capability and experience promotion, resource procurement from brand companies, inventory allocation, talent optimization and mobility as a retail group on nationwide level, as thus enhance general profitability of the Group.

Short to mid term stage – "innovation and breakthrough"

The Group will promote the extensive research results on channel innovation and retail innovation and establish various retail models based on consumer's preferences in order to create more add-in values for the consumers. In addition, it will make good use of its advantages of combining the brand department to expand the multi-brand product channel and enhance the proportion of brand licensee business in order to earn excess profits in the industry.

Long term stage – "establishment of leading position"

The Group will endeavor to attain a leading position in the market that it will develop various channel portfolios matched up with different brands and commodities and operate with an operational capacity superior to other players in the industry, in order to accomplish the vision of becoming a leading sports retailer that is closely tied to its consumers and equip with an innovation ability. The Group will be the first choice for consumer as well as the best partner for branded companies.

HUMAN RESOURCES

At September 30, 2010, the Group had a total of 23,936 employees. The Group reviews the performance of its employees periodically, 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 its senior management with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social securities, mandatory retirement funds, medical coverage and training programs to employees based on their personal career development.

SHARE OPTION SCHEME

On January 21, 2010, the Company granted to certain participants options under which the holders are entitled to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company pursuant to the Share Option Scheme at an exercise price of HK$1.62 per share. The number of shares exercisable and subscribable pursuant to the options granted then was 64,500,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the audited financial statements.

CORPORATE GOVERNANCE

For the year ended September 30, 2010, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for deviation from provision A.2.1 of the Code.

After the resignation of Mr. Liu Wen Xin as Chief Executive Officer of the Company on June 19, 2009, Mr. Tsai David, Nai Fung, the Chairman of the Company, assumed the role of acting Chief Executive Officer on June 19, 2009 on a temporary basis until Ms. Chang Karen, Yi-Fen, the Chief Financial Officer and executive Director of the Company, was appointed as the new Chief Executive Officer of the Company with effect from January 1, 2010. As there was no segregation between the role of the Chairman and Chief Executive Officer of the Company during the period from June 19, 2009 to December 31, 2009, this constituted deviation from provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separated and should not be the same individual.

During the period of assuming the dual roles as Chairman and acting Chief Executive Officer of the Company by Mr. Tsai David, Nai Fung, an executive committee consisting of members of the management was formed to oversee different business segments of the Group. Ms. Chang Karen Yi-Fen, the Chief Financial Officer of the Company, was the acting head of the executive committee reporting to Mr. Tsai David, Nai Fung directly. As the Chairman and acting Chief Executive Officer of the Company, Mr. Tsai David, Nai Fung was responsible for the Group's overall management and strategic planning, including sales and marketing activities and on a temporary basis overseeing the overall strategies, planning and day-to-day operation and management of the Group. Since it was only a temporary measure while the Company was actively searching for a replacement to fill in the position of chief executive officer permanently, the Board does not consider that this structure had impaired the balance of power and authority between the Board and the management of the Company given there is a division of responsibility for each of the individual business operations segment of the Group.

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") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended September 30, 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 Annual Report 2010 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 customer, 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
Tsai David, Nai Fung
Chairman

Hong Kong, January 19, 2011

As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and Non-executive Director; Ms. Chang Karen Yi-Fen is the 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, Mr. Mak Kin Kwong and Mr. Cheng Ming Fun Paul are the Independent Non-executive Directors.

Website: www.pousheng.com