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

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended June 30, **2014**	2013	Percentage increase
Revenue *(US$'000)*	**966,593**	886,245	**9.1%**
Operating profit *(US$'000)*	**15,846**	7,646	**107.2%**
Loss attributable to owners of the Company *(US$'000)*	**(1,842)**	(16,582)	**88.9%**
Basic loss per share *(US cent)*	**(0.03)**	(0.31)	**90.3%**

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 June 30, 2014 with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2014

	Notes	**For the six months ended June 30, 2014** *US$'000* **(unaudited)**	2013 *US$'000* (unaudited)
Revenue	3	**966,593**	886,245
Cost of sales		**(678,712)**	(636,877)
Gross profit		**287,881**	249,368
Other operating income and gains (losses)		**5,971**	11,366
Selling and distribution expenses		**(235,752)**	(220,436)
Administrative expenses		**(42,254)**	(32,652)
Operating profit		**15,846**	7,646
Finance costs		**(5,330)**	(8,026)
Finance income		**1,395**	1,104
Finance costs – net		**(3,935)**	(6,922)
Share of results of associates		**(516)**	(192)
Share of results of joint ventures		**(1,265)**	(3,339)
Other gains (losses)		**(2,442)**	(2,523)
Profit (loss) before taxation		**7,688**	(5,330)
Income tax expense	4	**(10,281)**	(10,233)
Loss for the period	5	**(2,593)**	(15,563)

	Note	For the six months ended June 30, **2014** *US$'000* **(unaudited)**	2013 *US$'000* (unaudited)
Attributable to:			
Owners of the Company		**(1,842)**	(16,582)
Non-controlling interests		**(751)**	1,019
		(2,593)	(15,563)
Loss per share	6		
– Basic		**US(0.03) cent**	US(0.31) cent
– Diluted		**US(0.03) cent**	US(0.31) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2014

	For the six months ended June 30, **2014** *US$'000* **(unaudited)**	2013 *US$'000* (unaudited)
Loss for the period	**(2,593)**	(15,563)
Other comprehensive (expense) income		
An item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	**(20,273)**	7,794
Total comprehensive expense for the period	**(22,866)**	(7,769)
Attributable to:		
Owners of the Company	**(21,790)**	(8,690)
Non-controlling interests	**(1,076)**	921
	(22,866)	(7,769)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2014

	Note	At June 30, 2014 US$'000 (unaudited)	At December 31, 2013 US$'000 (audited)
Non-current assets			
Property, plant and equipment		**89,634**	95,697
Deposit paid for acquisition of property, plant and equipment		**553**	383
Prepaid lease payments		**23,560**	24,476
Rental deposits and prepayments		**17,362**	19,729
Intangible assets		**117,454**	118,201
Goodwill		**82,977**	82,977
Interest in an associate		**1,935**	2,550
Interests in joint ventures		**11,892**	13,561
Loans to joint ventures		**19,586**	23,063
Deposit paid for acquisition of the remaining interest in a subsidiary		**1,609**	–
Long-term loan receivables		**8,047**	8,246
Deferred tax assets		**1,247**	2,932
		375,856	391,815
Current assets			
Inventories		**539,085**	631,595
Trade and other receivables	7	**330,795**	349,439
Taxation recoverable		**160**	1,323
Structured bank deposit		**9,730**	2,144
Bank balances and cash		**83,972**	61,424
		963,742	1,045,925
Assets classified as held for sale		**–**	22,067
		963,742	1,067,992

	Note	At June 30, 2014 US$'000 (unaudited)	At December 31, 2013 US$'000 (audited)
Current liabilities			
Trade and other payables	8	**197,219**	221,949
Taxation payable		**6,019**	5,173
Bank overdrafts		**–**	20,220
Bank borrowings		**214,012**	197,382
		417,250	444,724
Liabilities associated with assets classified as held for sale		**–**	16,850
		417,250	461,574
Net current assets		**546,492**	606,418
Total assets less current liabilities		**922,348**	998,233
Non-current liabilities			
Bank borrowings		**–**	50,000
Consideration payable for acquisition of business		**17,461**	18,016
Deferred tax liabilities		**32,415**	33,285
		49,876	101,301
Net assets		**872,472**	896,932
Capital and reserves			
Share capital		**6,909**	6,909
Reserves		**851,019**	874,005
Equity attributable to owners of the Company		**857,928**	880,914
Non-controlling interests		**14,544**	16,018
Total equity		**872,472**	896,932

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information 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 ("HKAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2013, as described therein.

Equity-settled share-based payment transactions

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares. When any shares are granted to participant, the costs of the granted shares are reversed from shares held for share award scheme and recognised in share award reserve.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from share award reserve. The difference arising from such transfer is debited/credited to accumulated profits.

Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective in the current period

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities"

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities" for the first time in the current interim period. The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The Directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The Group has applied the amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" for the first time in the current interim period. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair Value Measurements".

The Directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's condensed consolidated interim financial information as the recoverable amount of an asset of CGU of the Group was determined based on the value in use calculation.

The adoption of other new or revised HKFRSs has had no material effect on the amounts reported in this condensed consolidated interim financial information or disclosures set out in this condensed consolidated interim financial information.

3. **REVENUE AND SEGMENTAL INFORMATION**

The Group's operating segments are determined based on information reported to chief operating decision maker ("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 sportswear products and 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 June 30, 2014

	Retail Business	Brand Licensee Business	Manufacturing Business	Segment total	Eliminations	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE						
External sales – sportswear and footwear products	952,421	3,133	3,414	958,968	–	958,968
External sales – commissions from concessionaire sales	7,625	–	–	7,625	–	7,625
Inter-segment sales*	–	1,870	224	2,094	(2,094)	–
Total segment revenue	960,046	5,003	3,638	968,687	(2,094)	966,593
RESULTS						
Segment results	21,728	(555)	(3,575)	17,598	(1,440)	16,158
Reconciling items:						
Central administrative expenses						(312)
Finance costs – net						(3,935)
Share of results of an associate						(516)
Share of results of joint ventures						(1,265)
Other gains (losses)						(2,442)
Profit before taxation						7,688

Segment revenue and results

For the six months ended June 30, 2013

	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	836,041	13,835	29,357	879,233	–	879,233
External sales – commissions from concessionaire sales	7,012	–	–	7,012	–	7,012
Inter-segment sales*	–	6,518	–	6,518	(6,518)	–
Total segment revenue	843,053	20,353	29,357	892,763	(6,518)	886,245
RESULTS						
Segment results	15,422	37	(6,447)	9,012	(710)	8,302
Reconciling items:						
Central administrative expenses						(656)
Finance costs – net						(6,922)
Share of results of associates						(192)
Share of results of joint ventures						(3,339)
Other gains (losses)						(2,523)
Loss before taxation						(5,330)

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

Segment results represent 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 purpose of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong Profits Tax *(note i)*	**–**	43
People's Republic of China ("PRC") Enterprise Income Tax ("EIT") *(note ii)*	**9,450**	8,198
Overseas income tax *(note iii)*	**792**	622
	10,242	8,863
Deferred tax charge	**39**	1,370
	10,281	10,233

notes:

(i) **Hong Kong**

Hong Kong Profits Tax is calculated at 16.5% (six months ended June 30, 2013: 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.

Pursuant to《財政部、國家稅務總局、海關總署關於西部大開發稅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、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(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 FOR THE PERIOD

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
Total staff cost (included in selling and distribution expenses and administrative expenses)	**87,653**	80,735
Operating lease rentals and concessionaire fees in respect of shopping malls/retail outlets (included in selling and distribution expenses)	**117,111**	106,765
Depreciation of property, plant and equipment	**12,114**	18,492
Allowance for inventories, net	**21,362**	4,065
Release of prepaid lease payments	**328**	326
Amortisation of intangible assets (included in selling and distribution expenses)	**3,839**	4,080
Net exchange loss (gain) (included in other operating income and gains (losses))	**5,578**	(2,197)
Subsidies, rebates and other income from suppliers (included in other operating income and gains (losses))	**(7,791)**	(9,004)
Impairment loss recognised on trade receivables (included in other operating income and gains (losses))	**2,114**	79
Loss on deregistration of subsidiaries (included in other gains (losses))	**233**	–
Impairment losses on loans to joint ventures (included in other gains (losses))	**2,845**	2,443
Fair value changes on consideration payable for acquisition of business (included in other gains (losses))	**(562)**	361
Fair value changes on structured bank deposit (included in other gains (losses))	**(74)**	–
Fair value changes on derivative financial instruments (included in other gains (losses))	**–**	(281)

6. LOSS PER SHARE

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

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(1,842)**	(16,582)

	For the six months ended June 30,	
	2014	2013
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**5,376,278,781**	5,378,908,615

The weighted average number of ordinary shares shown above for the six months ended June 30, 2014 has been arrived at after deducting the shares held by the trustee of the share award scheme.

The computation of diluted loss per share for each of the six months ended June 30, 2014 and 2013 does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the shares in the relevant periods.

7. TRADE AND OTHER RECEIVABLES

	At June 30, 2014	At December 31, 2013
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**182,866**	165,392
Deposits, prepayments and other receivables	**147,929**	184,047
	330,795	349,439

The Group 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 and bills receivables net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	At June 30, 2014 *US$'000* **(unaudited)**	At December 31, 2013 *US$'000* (audited)
0 to 30 days	**154,616**	133,421
31 to 90 days	**20,711**	24,701
Over 90 days	**7,539**	7,270
	182,866	165,392

8. TRADE AND OTHER PAYABLES

	At June 30, 2014 *US$'000* **(unaudited)**	At December 31, 2013 *US$'000* (audited)
Trade payables	**49,529**	98,912
Bills payables	**509**	387
Other payables	**147,181**	122,650
	197,219	221,949

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

	At June 30, 2014 *US$'000* **(unaudited)**	At December 31, 2013 *US$'000* (audited)
0 to 30 days	**48,459**	97,769
31 to 90 days	**22**	838
Over 90 days	**1,557**	692
	50,038	99,299

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended June 30, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group aims to be a leading distributor in the Greater China region of sports and lifestyle products that help consumers pursue the goals of having good health and a sustainable environment. In the past half year, the Group was mainly involved in two categories of businesses. The first is the retail business which involved the sales of various international brand sportswear products including footwear, apparel and accessories, to consumers through our directly operated retail outlets, or on a wholesale basis to sub-distributors, who in turn sold these items to consumers through their respective retail outlets. As at June 30, 2014, the Group had 3,868 directly operated retail outlets and 2,405 retail sub-distributors. Within the network of the regional joint ventures, there were 691 directly operated retail outlets and 400 retail sub-distributors. Whenever possible the Group will pursue being the exclusive distributor for a brand. During the period, the Group had an exclusive distribution arrangement with the brand O'Neill, involving the regions China, Hong Kong and Macau.

The brand licensee business is the other category of business. The brand licensee agreements usually grant the Group exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for the brand products at the designated locations for specified periods of time. During the period, the Group was the brand licensee in Taiwan for Hush Puppies and also in Taiwan and China for Pony brand since April this year.

FINANCIAL REVIEW

For the first six months, the Group recorded revenue of US$966.6 million, representing an increase of 9.1% as compared with the same period last year. For gross profit, the Group recorded US$287.9 million which was an increase of 15.4% against the same period last year. The loss attributable to owners of the Company in the current year was US$1.8 million, a significant improvement compared to the loss attributable to owners of the Company of US$16.6 million in the first half of fiscal year 2013.

REVENUE

Aggregate revenue for the Group increased by 9.1% to US$966.6 million for the six months ended June 30, 2014, as compared to US$886.2 million reported in the same period last year. The increase was due to the solid growth in the retail business sales: this more than compensated for the shrinkage in sales for the brand licensee business and the manufacturing business.

Retail Business

The retail business reported revenue of US$960 million, an increase of 13.9% compared with the same period last year. This was primarily due to improvements in store productivity within the distribution network.

Brand Licensee Business

Various restructuring actions were taken for this business in the last year so that activity for this category fell in the period. As a result, brand licensee related sales dropped to US$3.1 million, representing a decline of 77.4% compared with fiscal year 2013.

GROSS PROFIT

Gross profit for the Group amounted to US$287.9 million. Gross profit margin was 29.8%. Both gross profit amount and gross profit margin were better than the comparable amounts achieved in the same period last year. The dominance of the retail business was key to achieving better figures in this area.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the period were in aggregate US$278 million, representing 28.8% of total revenue and the ratio remained similar to last period. The various steps taken by management to control expenses continue to be effective. Much effort continues to be spent in fine tuning the store mix so that low yielding stores are closed, and new ones are opened in locations with good customer traffic.

OPERATING PROFIT

The Group operating profit margin for the period was 1.6%, and operating profit was US$15.8 million, a significant improvement compared with the operating profit of US$7.6 million in the same period last year.

SHARE OF RESULTS OF AN ASSOCIATE AND JOINT VENTURES

Most joint ventures were involved in the sales of domestic brand products. Due to the general improvement in consumer spending on sportswear as well as inventory issues being much less of a concern, these ventures experienced better times. The discounting and proactive promotion needed were of a smaller magnitude and thus the share of results of an associate and joint ventures incurred losses of US$1.8 million for the half year. For the same period last year, the loss from these categories was US$3.5 million.

OTHER GAINS (LOSSES) ARISING OTHER THAN OPERATING ACTIVITIES

The Group incurred various gains (losses) from a variety of situations amounting the net loss of US$2.4 million in the half year.

LOSS FOR THE PERIOD

Due to the aforementioned reasons, loss for the Group in this half year was US$2.6 million which was an improvement over the loss of US$15.6 million in the same period last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover period for the period was 157 days (2013: 177 days). The reduction in inventory turnover period was due to the tighter scrutiny of inventory at the stores and the increase in consumer spending during the half year. The Group continues to explore different strategies for managing inventory so as to optimize working capital levels. The average trade receivables turnover period was 33 days (2013: 35 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period was 20 days (2013: 22 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2014, the Group's cash and cash equivalents were US$84 million (December 31, 2013: US$61.4 million) and working capital (current assets minus current liabilities) was US$546.5 million (December 31, 2013: US$606.4 million). Our total bank borrowings decreased by 20% to US$214 million from US$267.6 million as at December 31, 2013 and are repayable within one year. The Group's current ratio was 231% (December 31, 2013: 231%). The gearing ratio (total borrowings to total equity) was 25% (December 31, 2013: 30%).

During the period, net cash generated from operating activities was US$91.3 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was US$18.1 million, of which US$8.6 million was used to purchase of property, plant and equipment. Net cash used in financing activities was US$30.4 million. During the period, the Group raised and repaid bank borrowings of US$128.5 million and US$163 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at June 30, 2014, the Group has capital commitments of US$11.3 million and US$1.2 million in respect of the acquisition of the remaining interests in a joint venture and the additional interest in a subsidiary, respectively. In addition, the Group had contingent liabilities of US$2.4 million in relation to guarantee given to bank in respect of banking facilities granted to a joint venture.

FOREIGN EXCHANGE

The Group conducted its business 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 an exchange difference arising on translation which is recognized either as other comprehensive income or expense in the condensed consolidated statement of comprehensive income as the US dollar is used as our reporting currency. As at June 30, 2014, the Group had no significant hedge for the foreign exchange exposure.

BUSINESS MODEL

The operating environment for the Group has stabilized after the deterioration experienced in 2012 and 2013. First, the economies outside of the Greater China region are starting to recover, with North America providing initial signals of growth and with Europe on the other hand reporting some indications that further economic decline is not likely. With this somewhat better picture for the global economy, the stage has been set for tempered improvement in the coming years for the PRC economy: a gradual improvement in the demand for its goods and services should be observable in time. The leadership in the PRC has provided guidance as to how they want to take the economy forward, and from various quarters it appears that consumers will have more confidence in the coming eighteen to twenty-four months. The sportswear industry has experienced some consolidation so that issues in earlier years such as excess capacity and excess inventory have peaked in their significance. It is expected that the margins and profitability of the remaining market participants should stabilize over time and begin to improve in 2016.

The Group continues to pursue its goal of becoming a leading retailer in the sportswear industry and to be the best partner of international athletic brands in the PRC. The Group is a leading distributor of international brand athletic apparel and footwear in the first and second tier cities, reaching out to consumers either by selling to them through directly owned stores, or by wholesaling products to sub-franchisees through their stores that sell athletic apparel and footwear to consumers. Previously, the Group pursued a high growth strategy by acquiring other retail chains and opening new retail outlets whenever possible. Going forward, the Group will focus on improving the efficiency of the existing sales network using a combination of techniques. The Group works closely with the brands to 1) help them understand the changing tastes of consumers in the PRC so that they can develop effective marketing campaigns and 2) help them making appropriate estimates of the sell-through capacity for the market to allow for better management of inventories. For the operation of the stores, various restructuring efforts have taken place. More effective monitoring of key performance indicators has been implemented to assess store efficiency and profitability. The improvements in store efficiency and profitability are achieved through a) the better management of human resources; b) broader integration and optimization of information technology and logistics; and c) more timely information to determine the better selling items and to take action to acquire those products with good sell through.

Our present scale, derived from organic expansion and acquisitions, makes us one of the key national retailers for a number of international brands, such as Nike and Adidas. To maintain our advantage, we will closely observe the behavior of consumers in the PRC, making sure we understand their sophistication and desires. Besides constantly assessing our portfolio mix to ensure we have the best portfolio of brands, we will also expand our capabilities to 1) distribute outdoor performance branded apparel and footwear; 2) establish over time a multi-brand store format for selected stores to capture consumer spending in a more effective manner; and 3) establish e-commerce platforms to facilitate off-line and on-line connection with consumers.

In addition, for our brand licensee business, apart from sports brands, the Group will also pursue opportunities among outdoor leisure brand business to benefit from markets trends and enrich its business portfolio so as to develop another avenue for sales growth. The Group continues to explore collaboration opportunities with foreign brands that a) allow for the development of brand strength; b) offer a broad range of products; and c) provide sufficient flexibility so that suitably designed products will be created that fulfill the specific needs of consumers in the PRC market.

PROSPECTS

The Group is optimistic that over the next five years, the sports industry in the PRC will start to show sustainable trend growth as consumers realize that physical activity is an important component for maintaining good health, their rising incomes makes sportswear affordable to them, and as a result of the newsfeed they receive regarding global sporting events, they derive more entertainment from participation in sports activities. Major athletic and outdoor performance brands are also devoting more attention to developing the opportunities in China. A few of them are deploying demand creation strategies that are similar to those used in the USA and Europe. The Group is of the view that product differentiation and segmentation will ensure that consumers recognize that “performance” athletic or outdoor products have features that are superior to those of fast retailing “fashion” products.

We believe that 2014 is a period of preparation for the Group and will serve as the basis for improvement in the future.

HUMAN RESOURCES

As at June 30, 2014, the Group had about 21,400 employees. The Group periodically reviews the performance of its employees so as to be able to conduct annual salary reviews and promotion appraisals. In order to remain competitive in the labor market, the Group makes references to the remuneration packages offered by other industry players. In addition, the Group also provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

On May 9, 2014, the Company adopted a share award scheme (the "Share Award Scheme") for recognizing the contribution by certain persons, including employees of the Group, providing incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 20,000,000 shares of the Company at a total consideration of approximately US$1.2 million.

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 interim financial information for the six months ended June 30, 2014.

The external auditor has reviewed the interim financial information for the six months ended June 30, 2014 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

During the six months ended June 30, 2014, the Company has applied the principles of and has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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 June 30, 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the website of Stock Exchange (www.hkexnews.hk). The interim report 2014 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, August 13, 2014

As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and Non-executive Director; Mr. Kwan, Heh-Der is the Chief Executive Officer and Executive Director; Mr. Wu, Pan-Tsu is the Executive Director; Ms. Tsai Patty, Pei Chun and Mr. Li I-nan are the Non-executive Directors; and Mr. Chen Huan-Chung, Mr. Chang Li Hsien, Leslie and Mr. Hsieh, Wuei-Jung are the Independent Non-executive Directors.

Website: www.pousheng.com