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, 2013

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		Percentage increase
	2013	2012	**(decrease)**
Revenue *(US$'000)*	**886,245**	887,799	**(0.2)%**
Operating profit (loss) *(US$'000)*	**7,646**	(678)	**–**
Loss attributable to owners of the Company *(US$'000)*	**(16,582)**	(37,243)	**55.5%**
Basic loss per share *(US cent)*	**(0.31)**	(0.86)	**64.0%**

RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2013 with comparative figures for the corresponding period in 2012 as follows:

Condensed Consolidated Income Statement

For the six months ended June 30, 2013

		For the six months ended June 30,	
		2013	2012
	Notes	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Revenue	3	**886,245**	887,799
Cost of sales		**(636,877)**	(620,779)
Gross profit		**249,368**	267,020
Other income and gains/losses		**11,366**	6,008
Selling and distribution expenses		**(220,436)**	(233,303)
Administrative expenses		**(32,652)**	(40,403)
Operating profit (loss)		**7,646**	(678)
Interests on bank borrowings wholly repayable within five years		**(8,026)**	(9,551)
Finance income		**1,104**	2,123
Finance costs – net		**(6,922)**	(7,428)
Share of results of associates		**(192)**	322
Share of results of joint ventures		**(3,339)**	(4,681)
Gain on disposal of properties		**–**	4,685
Impairment losses of interests in an associate and joint ventures		**–**	(7,497)
Impairment losses on loans to joint ventures		**(2,443)**	–
Fair value changes on derivative financial instruments		**281**	(14,655)
Fair value changes on consideration payable for acquisition of business		**(361)**	(1,542)
Loss before taxation		**(5,330)**	(31,474)
Income tax expense	4	**(10,233)**	(4,505)
Loss for the period	5	**(15,563)**	(35,979)

	Note	For the six months ended June 30, 2013 US$'000 (unaudited)	2012 US$'000 (unaudited)
Attributable to:			
Owners of the Company		**(16,582)**	(37,243)
Non-controlling interests		**1,019**	1,264
		(15,563)	(35,979)
Loss per share	6		
– Basic		**US(0.31) cent**	US(0.86) cent
– Diluted		**US(0.31) cent**	US(0.86) cent

Condensed Consolidated Statement of Comprehensive Income
For the six months ended June 30, 2013

	For the six months ended June 30,	
	2013	2012
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Loss for the period	**(15,563)**	(35,979)
Other comprehensive income (expense)		
An item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	**7,794**	(5,838)
Total comprehensive expense for the period	**(7,769)**	(41,817)
Attributable to:		
Owners of the Company	**(8,690)**	(43,004)
Non-controlling interests	**921**	1,187
	(7,769)	(41,817)

Condensed Consolidated Statement of Financial Position
At June 30, 2013

	Note	**At June 30, 2013** *US$'000* **(unaudited)**	At December 31, 2012 *US$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**114,994**	124,449
Deposit paid for acquisition of property, plant and equipment		**300**	470
Prepaid lease payments		**24,501**	24,466
Rental deposits and prepayments		**21,456**	23,159
Intangible assets		**131,905**	134,031
Goodwill		**82,977**	82,977
Interests in associates		**2,478**	2,611
Loans to associates		**–**	2,407
Interests in joint ventures		**16,336**	19,373
Loans to joint ventures		**29,034**	30,491
Long-term loan receivables		**839**	827
Available-for-sale investment		**–**	–
Deferred tax assets		**2,376**	4,051
		427,196	449,312
CURRENT ASSETS			
Inventories		**576,117**	591,670
Derivative financial instruments		**284**	–
Trade and other receivables	7	**359,874**	323,233
Taxation recoverable		**929**	6,033
Bank balances and cash		**82,971**	128,488
		1,020,175	1,049,424
Assets classified as held for sale		**1,674**	1,674
		1,021,849	1,051,098

	Note	At June 30, 2013 US$'000 (unaudited)	At December 31, 2012 US$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	8	**162,937**	193,259
Taxation payable		**6,695**	6,867
Bank overdrafts		**8,763**	–
Bank borrowings		**262,182**	313,040
		440,577	513,166
NET CURRENT ASSETS		**581,272**	537,932
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,008,468**	987,244
NON-CURRENT LIABILITIES			
Bank borrowings		**42,747**	14,247
Consideration payable for acquisition of business		**18,329**	17,980
Deferred tax liabilities		**37,097**	36,945
		98,173	69,172
NET ASSETS		**910,295**	918,072
CAPITAL AND RESERVES			
Share capital		**6,850**	6,850
Reserves		**886,175**	894,873
Equity attributable to owners of the Company		**893,025**	901,723
Non-controlling interests		**17,270**	16,349
TOTAL EQUITY		**910,295**	918,072

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 fifteen-month period ended December 31, 2012, as described therein.

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 HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated interim financial information as it deals only with separate financial statements. The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. January 1, 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The Directors of the Company concluded that it has had control over the investees which are consolidated into the condensed consolidated interim financial information before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in this condensed consolidated interim financial information.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The Directors of the Company reviewed and assessed the classification of the Group's investments in the joint arrangements in accordance with the requirements of HKFRS

11. The Directors concluded that the Group's investment in each of the joint arrangements, each of which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in this condensed consolidated interim financial information.

Amendments to HKAS 34 "Interim Financial Reporting"
(as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Total assets and liabilities information are not disclosed in this condensed consolidated interim financial information since the Directors of the Company consider that there has not been any material change from the amounts disclosed in the last annual financial statements in any reportable segments.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated interim financial information.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in this condensed consolidated interim financial information.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". However, since the new terminology under amendments to HKAS 1 is not mandatory and the Directors of the Company determine to remain the titles of "statement of comprehensive income" and "income statement" unchanged.

In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to income statement; and (b) items that may be reclassified subsequently to income statement when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 the CODM, being the Board of Directors of the Company, for the purpose of resource allocation and performance assessment, as set out below for which discrete financial information is available.

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

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

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

Segment revenue and results

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

For the six months ended 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)
Impairment losses on loans to joint ventures						(2,443)
Fair value changes on derivative financial instruments						281
Fair value changes on consideration payable for acquisition of business						(361)
Loss before taxation						(5,330)

Segment revenue and results

For the six months ended June 30, 2012

	Retail Business *US$'000*	Brand Licensee Business *US$'000*	Manufacturing Business *US$'000*	Segment total *US$'000*	Eliminations *US$'000*	Consolidated *US$'000*
REVENUE						
External sales – sportswear and footwear products	798,321	25,157	55,029	878,507	–	878,507
External sales – commissions from concessionaire sales	9,292	–	–	9,292	–	9,292
Inter-segment sales*	–	10,301	–	10,301	(10,301)	–
Total segment revenue	807,613	35,458	55,029	898,100	(10,301)	887,799
RESULTS						
Segment results	8,205	(9,322)	3,681	2,564	(2,792)	(228)
Reconciling items:						
Central administrative expenses						(450)
Finance costs – net						(7,428)
Share of results of associates						322
Share of results of joint ventures						(4,681)
Gain on disposal of properties						4,685
Impairment losses of interests in an associate and joint ventures						(7,497)
Fair value changes on derivative financial instruments						(14,655)
Fair value changes on consideration payable for acquisition of business						(1,542)
Loss before taxation						(31,474)

* 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,	
	2013	2012
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong ("HK") Profits Tax *(note i)*	**43**	314
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT") *(note ii)*	**8,198**	4,723
Overseas income tax *(note iii)*	**622**	484
	8,863	5,521
Deferred tax charge (credit)	**1,370**	(1,016)
	10,233	4,505

notes:

(i) HK

HK Profits Tax is calculated at 16.5% (six months ended June 30, 2012: 16.5%) of the estimated assessable profit for the period.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except as follows:

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

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

(b) Pursuant to《財政部、國家稅務總局、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,	
	2013	2012
	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)	**80,735**	86,532
Operating lease rentals and concessionaire fees in respect of shopping malls/retail outlets (included in selling and distribution expenses)	**106,765**	113,269
Depreciation of property, plant and equipment	**18,492**	18,023
Release of prepaid lease payments	**326**	320
Amortisation of intangible assets (included in selling and distribution expenses)	**4,080**	4,162
Net exchange (gain) loss (included in other income and gains/losses)	**(2,197)**	564
Subsidies, rebates and other income from suppliers (included in other income and gains/losses)	**(9,004)**	(7,687)
Impairment loss recognised on trade receivables (included in other income and gains/losses)	**79**	4,035
Allowance for inventories (included in other income and gains/losses)	**4,065**	2,595
Impairment losses of interests in an associate and joint ventures *(note)*	**–**	7,497

note: During the six months ended June 30, 2012, the impairment loss of US$7,497,000 was made in respect of the Group's interests in an associate and joint ventures based on the expected losses arising from the anticipated disposals in the foreseeable future. The recoverable amounts of the relevant entities were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant entities from their anticipated disposals less the Group's interests in those entities which the Group expected to dispose of after the end of the reporting period.

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,	
	2013	2012
	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	**(16,582)**	(37,243)

	For the six months ended June 30,	
	2013	2012
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**5,378,908,615**	4,305,568,866

The computation of diluted loss per share for each of the six months ended June 30, 2013 and 2012 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, 2013 US$'000 (unaudited)	At December 31, 2012 US$'000 (audited)
Trade receivables	**182,209**	177,148
Deposits, prepayments and other receivables	**177,665**	146,085
	359,874	323,233

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, 2013 US$'000 (unaudited)	At December 31, 2012 US$'000 (audited)
0 to 30 days	**174,960**	164,176
31 to 90 days	**3,148**	10,317
Over 90 days	**4,101**	2,655
	182,209	177,148

8. TRADE AND OTHER PAYABLES

	At June 30, 2013 *US$'000* (unaudited)	At December 31, 2012 *US$'000* (audited)
Trade payables	**41,466**	53,742
Bills payables	**412**	542
Other payables	**121,059**	138,975
	162,937	193,259

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, 2013 *US$'000* (unaudited)	At December 31, 2012 *US$'000* (audited)
0 to 30 days	**39,368**	51,748
31 to 90 days	**1,062**	1,745
Over 90 days	**1,448**	791
	41,878	54,284

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended June 30, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For each of our businesses, the retail business distributes a wide range of sportswear products, including various sports 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 respective retail outlets under our supervision. As at June 30, 2013, the Group had 3,554 directly operated retail outlets and 2,217 retail sub-distributors. Directly retail outlets and retail sub-distributors operated by our regional joint ventures' amounted to 750 and 645 respectively.

The Group is constantly on the lookout for business opportunities and recently struck a deal to be the exclusive distributor of O'Neill's products in HK, Macau and the PRC.

For our brand licensee business, the Group remains the exclusive brand licensee of international brands such as Converse, Reebok and Hush Puppies in specific regions in Greater China. The brand licensee agreements entered into by the Group typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for the products of the licensed brands in specified locations within the Greater China Region for a specified period of time. The brand licensee arrangement of Hush Puppies in Taiwan operates until December 31, 2015. In the case of Converse, the brand licensee agreement in Taiwan operates till December 31, 2013.

In our manufacturing business, the Group manufactured OEM/ODM products for various brands, mainly included Li Ning and 361°.

FINANCIAL REVIEW

For the first six months of the financial year, the Group recorded revenue of US$886.2 million, representing a decrease of 0.2% as compared with the same period last year. Revenue experienced no growth due to the adverse circumstances engulfing the manufacturing business, which itself experienced revenue decline of 46.7%. The loss attributable to owners of the Company was US$16.6 million while the loss attributable to owners of the Company was US$37.2 million for the same period last year.

REVENUE

Our revenue decreased by 0.2% to US$886.2 million for the six months ended June 30, 2013 (for the six months ended June 30, 2012: US$887.8 million). This very slight decrease was primarily due to the weak sales of the manufacturing business and there was a contract expiration in brand licensee business last year.

Retail Business

As a result of organic growth, sales derived from retail business increased by 4.4% to US$843.1 million (for the six months ended June 30, 2012: US$807.6 million).

Brand Licensee Business

Revenue from our brand licensee business decreased by 45% to US$13.8 million (for the six months ended June 30, 2012: US$25.2 million). As disclosed in our 2012 annual report, 1) we terminated the brand licensee agreements with Wolverine and Hush Puppies in Greater China and the PRC on April 30, 2012 respectively; and 2) the brand licensee agreement with Converse in HK expired on December 31, 2012.

Manufacturing Business

Revenue from our manufacturing business decreased by 46.7% to US$29.4 million (for the six months ended June 30, 2012: US$55.0 million), which was attributable to the decrease of orders from our major customers due to the impact of their terminal inventories. The Group is in the process of restructuring the business.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$249.4 million for the current period. The gross profit margin was 28.1%, representing a decrease of 2 percentage points on a year-on-year basis.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the six months ended June 30, 2013 amounted to US$253.1 million in aggregate, representing 28.6% of revenue and a decrease of 2.2 percentage points as compared with the same period last year. The decrease in such expenses was partly due to the absence of mergers and acquisitions transactions and partly due to the success of management in its efforts to control costs.

OPERATING PROFIT

The Group's operating profit for the period amounted to US$7.6 million and the operating profit margin was 0.9%, representing an increase of 1 percentage point as compared with the same period last year.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Since joint ventures were mostly licensees of domestic brands, with the continued weakness experienced by the sportswear products market in the PRC, their efforts were primarily focus in the areas of inventory reduction and strategic price markdown: as a consequence most of them saw declining profits and in some cases, losses. Our share of results of associates and joint ventures incurred losses of US$3.5 million in the current period, as compared with losses of US$4.4 million in the same period last year.

IMPAIRMENT LOSSES ON LOANS TO JOINT VENTURES

In view of the weakening financial performance of few joint ventures, an impairment of US$2.4 million on loans to joint ventures was recognized in profit and loss.

LOSS FOR THE PERIOD

As a result of the above factors, the Group's loss for the period was US$15.6 million.

WORKING CAPITAL EFFICIENCY

The average inventory turnover period for the period was 167 days (2012: 148 days). The longer inventory turnover period was partly due to the necessary stocking for newly opened shops and partly due to lower-than-expected sales volume of the sportswear retail business for the period. However, the Group has implemented various sales procedures to reduce its inventory level and improve its cash flow. The average trade receivables turnover period was 37 days (2012: 36 days), which remained consistent with the credit terms of 30 to 60 days that the Group granted to its department store counters and retail distributors. The average trade and bill payables turnover period was 14 days (2012: 30 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2013, the Group's cash and cash equivalents were US$74.2 million (December 31, 2012: US$128.5 million) and the working capital (current assets minus current liabilities) was US$581.3 million (December 31, 2012: US$537.9 million). Our total bank borrowings decreased by 4.2% to US$313.7 million from US$327.3 million as at December 31, 2012, of which US$271 million was repayable within one year and US$42.7 million was repayable after one year but not exceeding two years. Bank borrowings were denominated mainly in Renminbi, and cash and cash equivalents were mainly held in Renminbi as well. The Group's current ratio was 232% (December 31, 2012: 205%). Gearing ratio (total borrowings to total equity) was 34% (December 31, 2012: 36%).

Due to the increase in trade and other receivables and the decrease in trade and other payables for the period, net cash used in operating activities was US$14.5 million. The Group believes our liquidity requirement will be satisfied with a combination of cash generated from operating activities (for example, the on-going operations and the active reduction of inventories etc.) and bank borrowings in the future. Net cash used in investing activities was US$4.5 million, of which capital expenditure used to purchase of property, plants and equipment was US$9.8 million. Net cash used in financing activities was US$36.6 million. In the current period, the Group had raised and repaid bank borrowings of US$244.9 million and US$270.0 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at June 30, 2013, the Group had capital commitments of US$11.4 million in respect of an acquisition of remaining interests in a joint venture. In addition, the Group had contingent liabilities of US$3.9 million in relation to guarantees given to banks in respect of banking facilities granted to joint ventures.

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 exchange difference arising on translation and is recognised as other comprehensive income or expense in the consolidated statement of comprehensive income as US dollar is used as our reporting currency. As at June 30, 2013, the Group had no significant hedge for the foreign exchange.

BUSINESS MODEL

The operating environment for the Group will be challenging during the course of 2013. Various headwinds continue to affect the sportswear industry in both the apparel and footwear categories. First, the global economy is still in a fragile state, with North America showing signs of pickup but with Europe on the other hand still in the midst of a recession. This weakness in the global economy means the PRC will experience soft demand for its goods and services. The change in leadership in the PRC has led to a change in expectations and policies, and resulted in a temporary slowdown in consumption. The willingness to consume is expected to improve in the second half of the year but could be diminished if new uncertainties arise. The sportswear industry has many participants, some of whom are still operating with much excess capacity and inventory. Before the excess capacity and inventory get solved, the industry will still experience sporadic periods of discounting that will adversely affects margins and profitability of market participants.

The Group continues to follow its strategy to become 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 name 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 smaller retail chains 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. At this juncture, the Group will focus on improving the efficiency of the existing sales network using a combination of techniques. We are working 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 make 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 been 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 select 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 market trends and enrich its business portfolio so as to develop another avenue for sales growth. With regards to the brand licensee business of Reebok, the short-term objectives of the Group are to increase brand strength, consolidate product lines and design suitable products that will fulfill the specific needs of consumers in the PRC market.

PROSPECTS

The Group is optimistic about the long-term future of the sports industry as consumers in the PRC aware physical activity is an important factor for maintaining good health, rising incomes will likely encourage the consumption of sportswear and in general there are signs of greater sports participation by consumers. We believe that with the upcoming World Cup, the Olympics and the European Cup, a new wave of consumption of sportswear in the PRC will be triggered. We hope that these sports events will lead to a new cycle of sales growth for the sportswear industry. The key international athletic brands and the Group are working hand in glove to effectively manage and create demand in light of the entrance of the fast retailing operators. Both parties appreciate that appropriate product differentiation and segmentation are needed to prevent consumers confusing fast retailing products with performance athletic or casual products.

We believe that 2013 will be a year of consolidation for the Group and that a new era of growth and profitability will begin in financial year 2014 for the Group.

HUMAN RESOURCES

As at June 30, 2013, the Group had a total of 23,980 employees. The Group reviewed the performance of its employees regularly, which serves as a consideration basis in the annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also made reference to remuneration packages offered by other industry players. In addition, we also provided other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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, 2013.

The external auditor has reviewed the interim financial information for the six months ended June 30, 2013 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. Without qualifying its review conclusion, the external auditor draws attention to the fact that the comparative condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2012 and the relevant explanatory notes disclosed in the condensed consolidated interim financial information have not been reviewed in accordance with HKSRE 2410.

CORPORATE GOVERNANCE

During the six months ended June 30, 2013, 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.

On August 13, 2013, the Company has adopted a board diversity policy to set out the criteria on the composition of the Board.

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, 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the website of the Stock Exchange (www.hkexnews.hk). The interim report 2013 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, 2013

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