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 SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2012

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the twelve months ended September 30,		**Percentage increase (decrease)**
	2012	2011	
	(unaudited)	(audited)	
Revenue *(US$'000)*	**1,749,323**	1,589,802	10.0%
Operating profit *(US$'000)*	**13,056**	82,078	(84.1)%
(Loss) profit attributable to owners of the Company *(US$'000)*	**(41,054)**	53,670	–
Basic (loss) earnings per share (US cent)	**(0.95)**	1.25	–

RESULTS

The board (the "Board") of 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 twelve months ended September 30, 2012 with comparative figures for the corresponding period in 2011 as follows:

Condensed Consolidated Income Statement

For the twelve months ended September 30, 2012

		For the twelve months ended September 30,	
		2012	2011
	Notes	**US$'000**	US$'000
		(unaudited)	(audited)
Revenue	3	**1,749,323**	1,589,802
Cost of sales		**(1,227,680)**	(1,107,456)
Gross profit		**521,643**	482,346
Other income and gains (losses)		**28,185**	37,694
Selling and distribution expenses		**(453,239)**	(366,718)
Administrative expenses		**(83,533)**	(71,244)
Operating profit		**13,056**	82,078
Interests on bank borrowings wholly repayable within five years		**(18,047)**	(9,984)
Finance income		**4,349**	5,845
Finance cost – net		**(13,698)**	(4,139)
Share of results of associates		**477**	697
Share of results of jointly controlled entities		**(10,234)**	(3,182)
Gain on deemed disposal of jointly controlled entities		**5,898**	18,767
Gain on disposal of properties		**4,685**	–
Gain on deregistration of subsidiaries		**–**	341
Impairment losses of interests in an associate and jointly controlled entities		**(9,345)**	(2,000)
Impairment loss of an available-for-sale investment		**–**	(100)
Fair value changes on derivative financial instruments		**(20,916)**	(15,601)
Fair value changes on consideration payable for acquisition of business		**(2,309)**	–
(Loss) profit before taxation		**(32,386)**	76,861
Income tax expense	4	**(7,711)**	(22,051)
(Loss) profit for the period	5	**(40,097)**	54,810

	Note	For the twelve months ended September 30, 2012 US$'000 (unaudited)	2011 US$'000 (audited)
Attributable to:			
Owners of the Company		**(41,054)**	53,670
Non-controlling interests		**957**	1,140
		(40,097)	54,810
(Loss) earnings per share	6		
– Basic		**US(0.95) cent**	US 1.25 cents
– Diluted		**US(0.95) cent**	US 1.25 cents

Condensed Consolidated Statement of Comprehensive Income

For the twelve months ended September 30, 2012

	For the twelve months ended September 30, 2012 US$'000 (unaudited)	2011 US$'000 (audited)
(Loss) profit for the period	**(40,097)**	54,810
Exchange difference arising on translation	**19,392**	30,755
Total comprehensive (expense) income for the period	**(20,705)**	85,565
Attributable to:		
Owners of the Company	**(21,878)**	83,718
Non-controlling interests	**1,173**	1,847
	(20,705)	85,565

Condensed Consolidated Statement of Financial Position

At September 30, 2012

	Note	**At September 30, 2012 US$'000 (unaudited)**	At September 30, 2011 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**126,024**	117,173
Deposit paid for acquisition of property, plant and equipment		**1,184**	918
Prepaid lease payments		**24,352**	24,321
Rental deposits and prepayments		**25,166**	25,927
Intangible assets		**143,073**	111,882
Goodwill		**91,593**	42,226
Interests in associates		**2,728**	8,387
Loans to associates		**2,380**	7,536
Interests in jointly controlled entities		**22,656**	41,950
Loans to jointly controlled entities		**34,397**	45,878
Deposit paid for acquisition of the remaining interest in jointly controlled entities		**–**	1,219
Deposit paid for proposed acquisition of a business		**–**	3,127
Long-term loan receivables		**817**	8,311
Available-for-sale investment		**–**	–
Derivative financial instruments		**–**	22,363
Pledged bank deposits		**–**	12,507
Deferred tax assets		**3,496**	1,978
		477,866	475,703
CURRENT ASSETS			
Inventories		**604,328**	400,806
Trade and other receivables	7	**357,207**	280,717
Prepaid lease payments		**642**	625
Taxation recoverable		**5,360**	1,369
Amounts due from related parties		**4,345**	3,693
Pledged bank deposits		**12,694**	–
Bank balances and cash		**120,284**	172,688
		1,104,860	859,898
Assets classified as held for sale		**1,674**	37,168
		1,106,534	897,066

	Note	At September 30, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	8	**286,874**	279,512
Taxation payable		**6,567**	5,298
Amounts due to related parties		**444**	65
Bank overdrafts		**9,539**	–
Bank borrowings		**336,988**	168,187
		640,412	453,062
NET CURRENT ASSETS		**466,122**	444,004
TOTAL ASSETS LESS CURRENT LIABILITIES		**943,988**	919,707
NON-CURRENT LIABILITIES			
Bank borrowings		**14,247**	–
Consideration payable for acquisition of business		**20,753**	–
Deferred tax liabilities		**37,962**	30,403
		72,962	30,403
NET ASSETS		**871,026**	889,304
CAPITAL AND RESERVES			
Share capital		**5,474**	5,513
Reserves		**848,650**	868,819
Equity attributable to owners of the Company		**854,124**	874,332
Non-controlling interests		**16,902**	14,972
TOTAL EQUITY		**871,026**	889,304

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

Pursuant to a resolution of the Board of the Company passed on May 30, 2012, the Company's financial year end date is changed from September 30 to December 31 in order to coincide the statutory financial year end date of the Company's major operating subsidiaries which are incorporated in the PRC. Accordingly, the current interim financial period covered a twelve-month period from October 1, 2011 to September 30, 2012 and the comparative figures covered a twelve-month period from October 1, 2010 to September 30, 2011.

2. PRINCIPAL ACCOUNTING POLICIES

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

Principal accounting policies

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

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

In the current interim period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial period for October 1, 2011 to December 31, 2012. The application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. REVENUE AND SEGMENTAL INFORMATION

The Group's operating segments are based on information reported to the chief operating decision maker (the "CODM"), being the Board of 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 twelve months ended September 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	**1,565,533**	**57,597**	**113,062**	**1,736,192**	**–**	**1,736,192**
External sales – commissions from concessionaire sales	**13,131**	**–**	**–**	**13,131**	**–**	**13,131**
Inter-segment sales*	**–**	**20,546**	**–**	**20,546**	**(20,546)**	**–**
Total segment revenue	**1,578,664**	**78,143**	**113,062**	**1,769,869**	**(20,546)**	**1,749,323**
RESULTS						
Segment results	**23,783**	**(9,073)**	**5,846**	**20,556**	**–**	**20,556**
Reconciling items:						
Central administrative expenses						**(7,500)**
Finance costs – net						**(13,698)**
Share of results of associates						**477**
Share of results of jointly controlled entities						**(10,234)**
Gain on deemed disposal of a jointly controlled entity						**5,898**
Gain on disposal of properties						**4,685**
Impairment losses of interests in an associate and jointly controlled entities						**(9,345)**
Fair value changes on derivative financial instruments						**(20,916)**
Fair value changes on consideration payable for acquisition of business						**(2,309)**
Loss before taxation						**(32,386)**

Segment revenue and results

For the twelve months ended September 30, 2011

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales – sportswear and footwear products	1,370,875	60,487	148,786	1,580,148	–	1,580,148
External sales – commissions from concessionaire sales	9,654	–	–	9,654	–	9,654
Inter-segment sales*	2,072	16,956	–	19,028	(19,028)	–
Total segment revenue	1,382,601	77,443	148,786	1,608,830	(19,028)	1,589,802
RESULTS						
Segment results	69,456	3,951	15,435	88,842	–	88,842
Reconciling items:						
Central administrative expenses						(6,764)
Finance costs – net						(4,139)
Share of results of associates						697
Share of results of jointly controlled entities						(3,182)
Gain on deemed disposal of a jointly controlled entity						18,767
Gain on deregistration of subsidiaries						341
Impairment losses of interests in associates and jointly controlled entities						(2,000)
Impairment loss of an available-for-sale investment						(100)
Fair value changes on derivative financial instruments						(15,601)
Profit before taxation						76,861

* 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 twelve months ended September 30,	
	2012	2011
	US$'000	US$'000
	(unaudited)	(audited)
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**682**	743
PRC Enterprise Income Tax ("EIT") *(note ii)*	**11,193**	20,788
Overseas income tax *(note iii)*	**1,559**	988
(Over)underprovision in prior year:		
PRC EIT	**(401)**	1,026
Overseas income tax	**166**	–
	13,199	23,545
Deferred tax credit	**(5,488)**	(1,494)
	7,711	22,051

notes:

(i) Hong Kong

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

(ii) PRC

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

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

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

(b) Pursuant to《財政部、國家稅務總局、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) PROFIT FOR THE PERIOD

	For the twelve months ended September 30,	
	2012	2011
	US$'000	US$'000
	(unaudited)	(audited)
Loss (profit) for the period has been arrived at after charging (crediting):		
Total staff cost (included in selling and distribution expenses and administrative expense)	**186,167**	139,322
Operating lease rentals and concessionaire fees in respect of office and shopping malls/retail outlets (included in selling and distribution expenses)	**214,117**	178,133
Depreciation of property, plant and equipment	**34,751**	27,380
Release of prepaid lease payments	**639**	620
Amortisation of intangible assets (included in selling and distribution expenses)	**7,913**	5,746
Net exchange gain	**(806)**	(4,083)
Subsidies, rebates and other income from suppliers (included in other income and gains (losses))	**(20,765)**	(19,783)
Impairment loss (reversal of impairment loss) recognised on trade receivables (included in other income and gains (losses))	**3,792**	(460)
Reversal of allowance for inventories (included in other income and gains (losses)) *(note i)*	**(195)**	(4,782)
Impairment losses of interests in an associate and jointly controlled entities *(note ii)*	**9,345**	2,000

notes:

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

(ii) During the twelve months ended September 30, 2012, the impairment losses of US$9,345,000 (twelve months ended September 30, 2011: US$2,000,000) were made in respect of the Group's interests in an associate and jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future. The recoverable amounts of the relevant entities were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant entities from their anticipated disposals less the Group's interests in those entities which the Group expected to dispose of after the end of the respective reporting periods.

6. (LOSS) EARNINGS PER SHARE

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

	2012	2011
	US$'000	US$'000
	(unaudited)	(audited)
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(41,054)**	53,670

	2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**4,304,570,067**	4,309,485,163

The computation of diluted (loss) earnings per share for each of the twelve months ended September 30, 2012 and 2011 does not assume the exercise of the Group's share options because the exercise price of those options was higher than the average market price of the shares for the relevant periods.

7. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade and bills receivables of US$198,706,000 (September 30, 2011: US$170,720,000) and an aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	At September 30, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
0 to 30 days	**184,725**	165,904
31 to 90 days	**5,311**	2,869
Over 90 days	**8,670**	1,947
	198,706	170,720

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$102,411,000 (September 30, 2011: US$147,880,000) and an aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	At September 30, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
0 to 30 days	**99,001**	145,627
31 to 90 days	**2,507**	1,231
Over 90 days	**903**	1,022
	102,411	147,880

Included in other payables at the end of the reporting period is an amount of US$48,437,000 (September 30, 2011: US$3,280,000) representing the consideration payable for the acquisition of subsidiaries and business during the current and prior periods and are unsecured, interest free and repayable within one year from the dates of respective transactions.

INTERIM DIVIDEND

The Board of Directors of the Company do not propose any interim dividend for the twelve months ended September 30, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For each of our businesses, the retail business distributes a wide range of sportswear products including various footwear, apparel and accessories, for certain leading international and domestic sportswear brands to end customers through our directly operated retail outlets, and also to retail sub-distributors on a wholesale basis, which in turn sell the products through their retail outlets under our supervision. As at September 30, 2012, the Group had 3,633 directly operated retail outlets, and 2,312 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 765 and 712 respectively.

For our brand licensee business, to cope with the Group's future plan, we early terminated respective brand licensee agreements with Wolverine and Hush Puppies in the Greater China and the PRC on April 30, 2012 respectively. At present, the Group remain as the exclusive brand licensee of international brands such as Converse, Reebok and Hush Puppies in specific regions in the Greater China. The brand licensee agreements the Group entered into typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for products of the licensed brands in specified locations within the Greater China Region for a specified period of time. Moreover, the exclusive brand licensee agreement for Converse in Hong Kong, Macau and Taiwan and for Hush Puppies in Taiwan will expire on December 31, 2012. Currently, the Group are in negotiation with those brand companies to extend the term of the brand licensee agreement in Taiwan for another one year to December 31, 2013 for Converse and extend the term of the brand licensee agreement to 2015 for Hush Puppies, and expect to complete the relevant arrangements shortly.

In our manufacturing business, the Group manufacture OEM/ODM products for various brands, namely Li Ning, ANTA and 361°.

FINANCIAL REVIEW

For the twelve months ended September 30, 2012, the Group recorded revenue of US$1,749.3 million, representing an increase of US$159.5 million or 10% as compared with the same period of last year; loss attributable to owners of the Company was US$41.1 million while profit attributable to owners of the Company was US$53.7 million for the same period of last year.

REVENUE

Our revenue increased by 10% to US$1,749.3 million for the twelve months ended September 30, 2012 as compared with the same period of last year. This increase was primarily due to the growth in our retail business where the growth comprised factors in relation to the acquisition of Nike business of Hebei Zhanxin, a former joint venture, and becoming a subsidiary of the Group during the period and the recognition of acquired business of Pengda. Excluding such acquisitions, the Group's revenue for the current period would have been US$1,563.2 million, representing a decrease of 1.7% on a year-on-year basis.

Retail Business

Although the exclusive distributor contract of Converse's products in the PRC with Converse expired on December 31, 2011, which has affected the Group's retail wholesale business, the revenue from retail business increased by 14.4% on a year-on-year basis to US$1,578.7 million as a result of the acquisitions and the natural growth of the business.

Brand Licensee Business

Revenue from our brand licensee business decreased by 4.8% to US$57.6 million as compared with the same period of last year, which was primarily due to the early termination of the respective brand licensee agreements with Wolverine and Hush Puppies in the Greater China and the PRC respectively.

Manufacturing Business

Revenue from our manufacturing business decreased by 24% to US$113.1 million as compared with the same period of last year, which was attributable to the decrease of the orders from our major customers due to the increase in their inventories. However, the average selling price remained stable during the period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$521.6 million for the current period, representing an increase of 8.2% compared with last year. Gross profit margin was 29.8%, representing a decrease of 0.5 percentage point on a year-on-year basis.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group increased to US$536.8 million, representing an increase of 22.6% as compared with the same period of last year. The percentage of such expenses to revenue increased by 3.1 percentage point year-on-year to 30.7%. The increase in such expenses was partly due to higher overall expenses as a result of the acquisitions and partly due to the undeveloped newly-opened shops, driven by additional staff salaries, rentals, inflation and other factors, resulting in the continuous rise in operating cost, in particular, staff cost, rentals and concession expenses. The Group intended to focus on control and improvement of the selling and administrative expenses.

OPERATING PROFIT

The Group's operating profit during the period decreased to US$13.1 million, representing a decrease of 84.1% as compared with the same period of last year.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Since joint ventures were mostly the licensees of domestic brands, and the effectiveness associated with the channel expansion of some joint ventures slowed down, more efforts were made to reduce inventory and intensify price markdown, which affected the sales and gross profit, thus reducing the profit and resulting in the loss. Our share of results of associates and jointly controlled entities recorded loss of US$9.8 million for the period.

GAIN ON DEEMED DISPOSAL OF JOINTLY CONTROLLED ENTITIES

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

IMPAIRMENT LOSSES OF INTERESTS IN AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

During the twelve months ended September 30, 2012, impairment losses of US$9.3 million have been made in respect of the Group's interests in an associate and certain jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Loss of US$20.9 million in the fair value changes on derivative financial instruments during the period is mainly attributable to the expectation of the management that such call options would at no time during the remaining exercisable period be exercised to acquire the relevant equity interests in subsidiaries, an associate and jointly controlled entities.

LOSS FOR THE PERIOD

As a result of the above factors, loss for the twelve months ended September 30, 2012 was US$40.1 million while profit for the same period of last year was US$54.8 million.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the period were 149 days (2011: 109 days). The increase in the inventory turnover days for the period was partly due to stocking for newly-opened shops and the increase of inventories at the end of the period as a result of the asset acquisition of Pengda, and partly due to lower-than-expected sales for sportswear retail business for the year. The Group, however, has actively taken measures to clear stocks so as to adjust inventories and improve cash flows. The average trade receivables turnover days were 39 days (2011: 34 days), which remained consistent with the credit terms of 30 to 60 days that the Group granted to its department store counters and retail distributors. The average trade and bill payables turnover days for the period were 37 days (2011: 39 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at September 30, 2012, the Group's cash and cash equivalents were US$110.7 million (September 30, 2011: US$172.7 million) and the working capital (current assets minus current liabilities) was US$466.1 million (September 30, 2011: US$444 million). Our total bank borrowings increased by 115% to US$360.8 million, from US$168.2 million as at September 30, 2011, of which US$346.5 million are repayable within one year and US$14.3 million are repayable more than 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 173%, (September 30, 2011: 198%). Gearing ratio (total borrowings to total equity) was 41% (September 30, 2011: 19%).

Because of higher inventory level and increase in trade and other receivables for the period as compared with the same period of last year, net cash used in operating activities for the period was US$152.2 million. The Group believes our liquidity requirement will be satisfied with a combination of capital generated from operating activities (for example, the on-going operation of Pengda's business and active reduction of inventories etc.), net proceeds from the rights issue and bank borrowings in the future. Net cash used in investing activities was US$63.9 million, of which capital expenditure used to purchase of property, plants and equipment was US$25.1 million. Net cash from financing activities was US$152.5 million, the Group had raised and repaid bank borrowings of US$514.4 million and US$341.2 million, respectively.

PLEDGED BANK DEPOSITS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at September 30, 2012, the Group had capital commitments of US$11.1 million in respect of acquisition of the remaining interests in a jointly controlled entity. In addition, the Group had contingent liabilities of US$7.5 million and US$12.7 million in relation to guarantee given to banks in respect of banking facilities granted to jointly controlled entities and a former subsidiary respectively.

FOREIGN EXCHANGE

The Group conducts its businesses primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in translation gain or loss in our financial statements as US dollar is used as our reporting currency. As at September 30, 2012, the Group had no significant hedges for the foreign exchange.

CHANGE OF FINANCIAL YEAR END DATE

As announced on May 30, 2012, the Board of Directors of the Company resolved to change the financial year end date of the Company from September 30 to December 31 in order to coincide with the statutory financial year end date of the Company's subsidiaries which are incorporated in the PRC. Accordingly, the first financial period of the Company after the change is the 15-month ending December 31, 2012.

EVENT AFTER THE REPORTING PERIOD

The Company announced on September 21, 2012 that it proposes to raise funds of approximately HK$522.9 million (equivalent to approximately US$67.5 million) to HK$526.7 million (equivalent to approximately US$68.0 million) before deduction of expenses by way of rights issue, pursuant to which not less than 1,065,006,290 rights shares and not more than 1,072,701,165 rights shares on the basis of one rights share for every four existing shares held on the record date at the subscription price of HK$0.491 per rights share (the "Rights Issue").

Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), a controlling shareholder of the Company, held as to approximately 56.82% of the total issued shares of the Company on the record date through its wholly-owned subsidiary, Major Focus Management Limited ("Major Focus"), a company incorporated in the British Virgin Islands with limited liability, undertaken to subscribe the rights shares allotted to Major Focus, and also underwritten in full the rights shares other than those allocated to Major Focus.

The net proceeds from the Rights Issue approximated to HK$518.8 million (equivalent to approximately US$66.9 million). All of the rights shares have been issued and fully paid on November 8, 2012, and are ranked pari passu in all respects with the then existing shares of the Company.

Upon completion of the Rights Issue, the shareholding of Yue Yuen and its subsidiaries in the Company increased from approximately 56.82% to 61.80%.

PROSPECTS

Currently, statistics indications in different aspects show that the global economy is recovering slowly but is still restrained by various unstable factors, which is full of challenges. Concerns over inflation, imbalanced income in the community and the slowdown in consumer spending prevail despite that the economy of China maintains its momentum of relatively higher growth, which has already affected marginal consumption powers and inclinations of consumers. On the other hand, in respect of the environments of the sportswear industry that the Group operated in, the overheated expansion of the industry amid high-speed development in recent years, the change of consumer's demand for clothing and other supplies, and the competitive situation led by various brands have caused the players in the sports industry to substantially readjust their business model and perform reconstruction in order to adapt to macro and micro economic changes, which could bring about growth opportunities and risks at the same time.

As the Company plays a leading role in the sports retail industry, we have carried out large scale reform and reconstruction, apart from ensuring the current operation scale, we have defined the year of 2013 as the reform period to focus on retail business by increasing the productivity of existing stores and enhancing the profitability, and we will work our very best over the franchising business to favor scale of growth and to save shop-opening expenditure. As to brand cooperation, we will integrate brand resources of various regions in the country to help sorting out better business conditions. We will simplify the management and streamline personnel of the Company for corporate reorganization, so that we can have the best proportion combination of front and back office staff, as to the development of IT system, the Group will strive to optimize the ERP system currently in use to set up a base which consolidate all business resources in the whole country, and develop in full force a real-time supporting system which can support unified procurement and immediate distribution/allocation over the whole country in the future. As our core growth driver, we will carry out a retail innovation project, to develop new channels and marketing models over the existing store entities, for example, the development of multi-brand, mix-and-match stores (say, stores in hypermarket) and e-commerce sales combination, etc.

After expansion, acquisition and integration in recent years, we are currently one of the most important worldwide retailers of Nike, Adidas and Converse. To maintain this advantage, we will prudently exploit the markets in the lower-tier cities to meet with the overall strategy of upgrading consumption in the lower-tier cities in the PRC and the expansion of sales channels of brand companies to lower-tier cities. As for higher-tier cities, while streamlining existing brands and channels, we will also intensify the introduction of outdoor leisure brands (including The North Face, Toread, etc), and enhance the trial of high-end differentiated channels and multi-brand channels such as Adidas NEO Label, Adidas Outdoor and Nike Extreme, to strive for brand diversification while accommodating with the maturing consumers, affluent middle class and differentiating and personalized consumption demands in higher-tier cities.

In view of the increase in health awareness, disposable income of consumers, sport awareness and participation, the Group remains optimistic about the mid- to long-term future of sports industry. We believe that the demand for functional sports and sports leisure will bring the second upsurge in the industry within next 5 to 10 years. From a short-term perspective, however, the prevailing economic consolidation period for the industry, slower consumption growth, increase in cost (such as labour cost and rentals), assimilation of brands, and higher density of outlets will cause keen price competition, such that retailers are all engaged in stock clearance, the Group cooperates with various brands, striving together to lower the inventory level to a relative healthier level at the beginning of next year. As such, this year will be a year of consolidation for sports products industry, the Group will commit on the intensification and rationalization of the scale after the scale enlargement. As for the retail business, we will actively adjust the inventories, upgrade the procurement and operation level, and precisely adjust the store location, product combination and pricing strategy with more detailed stores according to consumer classification and shopping habits. We hope under the above mentioned effort, the profitability of the Group can resume and further enhance soon. Besides, branded companies are re-allocating their resources to large retailers due to the boom in density of retailers, giving rise to innovative operating models and enormous business opportunities. For example, due to higher rentals and labour cost in the matured sports markets such as Hong Kong/Taiwan, retailers have to increase turnover frequencies to sustain its profit margin and obtain higher investment return. It means that the underdeveloped market in China still has huge room for improving the prevailing operating conditions.

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

In respect of the management of joint ventures, joint ventures are now generally under the stage of business restructuring in view of their distributing brands and changes in the retail market conditions in the PRC. This resembles the previous adjustment process of the Group and takes time for improvement. The Group will continue to proactively review the respective business conditions of joint ventures in order to purify in every aspect. We will also dispose of the non-strategic joint ventures to save up the managing resources and ensure the profitability of the Group.

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

HUMAN RESOURCES

As at September 30, 2012, the Group had a total of 26,600 employees. The Group reviews the performance of its employees regularly, which serves as a consideration basis in annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also make reference to remuneration packages offered by peers in the industry. For our senior management, the Group rewards them with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social insurance, mandatory retirement funds, medical coverage and training programs to employees based on their personal career development.

SHARE OPTION SCHEME

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the twelve months ended September 30, 2012, the Company repurchased 36,800,000 (twelve months ended September 30, 2011: Nil) its own shares on the Stock Exchange as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid (including direct costs)**
		HK$	HK$	HK$
October 2011	34,890,000	1.20	1.00	36,715,000
November 2011	1,910,000	1.19	1.00	2,187,000
				38,902,000

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

The repurchase of the Company's shares during the twelve months ended September 30, 2012 was effected by the Board, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Group.

Save as disclosed herein, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the twelve months ended September 30, 2012.

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course have discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the twelve months ended September 30, 2012.

The external auditor has reviewed the interim financial information for the twelve months ended September 30, 2012 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

During the twelve months ended September 30, 2012, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices effective until March 31, 2012 and Corporate Governance Code with effect from April 1, 2012 as set out 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 twelve months ended September 30, 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND SECOND 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 second interim report 2012 of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, November 28, 2012

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 Ms. Kuo, Li-Lien are the Non-executive Directors; and Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, and Mr. Chang Li Hsien, Leslie are the Independent Non-executive Directors.

Website: www.pousheng.com