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

(Incorporated in Bermuda with limited liability)
(Stock Code: 3813)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED MARCH 31, 2011

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended March 31,		**Percentage increase**
	2011	2010	
Revenue *(US$'000)*	**771,228**	654,182	**17.9%**
Operating profit *(US$'000)*	**42,183**	16,097	**162.1%**
Profit attributable to owners of the Company *(US$'000)*	**34,516**	8,828	**291.0%**
Basic earnings per share *(US cent)*	**0.80**	0.21	**281.0%**

RESULTS

The directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended March 31, 2011 with comparative figures for the corresponding period in 2010 as follows:

Condensed Consolidated Income Statement
For the six months ended March 31, 2011

	Notes	**For the six months ended March 31, 2011 US$'000 (unaudited)**	For the six months ended March 31, 2010 US$'000 (unaudited)
Revenue	3	**771,228**	654,182
Cost of sales		**(534,601)**	(453,786)
Gross profit		**236,627**	200,396
Other income		**17,194**	6,143
Selling and distribution expenses		**(179,600)**	(151,727)
Administrative expenses		**(32,038)**	(38,715)
Operating profit		**42,183**	16,097
Interests on bank borrowings wholly repayable within five years		**(5,133)**	(6,348)
Finance income		**3,248**	1,482
Finance cost – net		**(1,885)**	(4,866)
Share of results of associates		**(21)**	629
Share of results of jointly controlled entities		**(4,533)**	4,122
Fair value changes on derivative financial instruments		**(4,720)**	217
Gain on deemed disposal of a jointly controlled entity		**18,767**	–
Impairment losses of interests in an associate and jointly controlled entities		**(2,000)**	(2,480)
Impairment loss of an available-for-sale investment		**(100)**	–
Profit before taxation		**47,691**	13,719
Income tax expense	4	**(12,175)**	(5,219)
Profit for the period	5	**35,516**	8,500

	Notes	For the six months ended March 31, 2011 US$'000 (unaudited)	2010 US$'000 (unaudited)
Attributable to:			
Owners of the Company		**34,516**	8,828
Non-controlling interests		**1,000**	(328)
		35,516	8,500
Earnings per share	6		
– Basic		**US0.80 cent**	US0.21 cent
– Diluted		**US0.80 cent**	US0.21 cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended March 31, 2011

	For the six months ended March 31, 2011 US$'000 (unaudited)	2010 US$'000 (unaudited)
Profit for the period	**35,516**	8,500
Exchange difference arising on translation	**14,839**	341
Total comprehensive income for the period	**50,355**	8,841
Attributable to:		
Owners of the Company	**48,967**	9,102
Non-controlling interests	**1,388**	(261)
	50,355	8,841

Condensed Consolidated Statement of Financial Position
At March 31, 2011

	Note	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**116,090**	143,680
Deposit paid for acquisition of property, plant and equipment		**750**	465
Prepaid lease payments		**24,055**	27,080
Rental deposits and prepayments		**27,927**	22,375
Intangible assets		**112,012**	70,612
Goodwill		**42,226**	27,622
Interests in associates		**7,432**	7,809
Loans to associates		**7,808**	7,659
Interests in jointly controlled entities		**41,548**	55,014
Loans to jointly controlled entities		**47,304**	58,042
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		**–**	19,223
Long-term loan receivables		**11,180**	17,642
Available-for-sale investments		**–**	100
Derivative financial instruments		**33,244**	46,024
Pledged bank deposits		**12,201**	–
Deferred tax assets		**741**	2,293
		484,518	505,640
CURRENT ASSETS			
Inventories		**326,055**	262,049
Trade and other receivables	7	**276,603**	249,164
Prepaid lease payments		**611**	654
Taxation recoverable		**457**	1,978
Available-for-sale investments		**3,050**	8,227
Amounts due from related parties		**3,603**	14,307
Bank balances and cash		**147,329**	178,056
		757,708	714,435
Assets classified as held for sale		**35,978**	–
		793,686	714,435

	Note	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	8	**201,162**	167,917
Consideration payable for acquisition of subsidiaries		**3,139**	–
Taxation payable		**6,172**	7,150
Amounts due to related parties		**1,024**	1,024
Bank borrowings		**145,739**	184,353
		357,236	360,444
NET CURRENT ASSETS		**436,450**	353,991
TOTAL ASSETS LESS CURRENT LIABILITIES		**920,968**	859,631
NON-CURRENT LIABILITIES			
Bank borrowings		**26,893**	33,611
Consideration payable for acquisition of subsidiaries		**3,139**	–
Deferred tax liabilities		**31,466**	21,695
		61,498	55,306
NET ASSETS		**859,470**	804,325
CAPITAL AND RESERVES			
Share capital		**5,504**	5,504
Reserves		**838,785**	784,813
Equity attributable to owners of the Company		**844,289**	790,317
Non-controlling interests		**15,181**	14,008
TOTAL EQUITY		**859,470**	804,325

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended September 30, 2010. In addition, the Group adopted the following new accounting policies for business combinations achieved in stage (where the Group previously had an equity interest in the acquiree) and contingent consideration in a business combination.

Business Combinations

Business combinations on or after October 1, 2009

Contingent consideration

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Business combination achieved in stages

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date the Group obtains control). Any resulting gain or loss is recognised in profit or loss. Any amount that was previously recognised in other comprehensive income is recognised on the same basis as if the interest had been disposed of on the acquisition date.

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

In the current interim period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on October 1, 2010. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008)[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

1 Effective for annual periods beginning on or after January 1, 2011
2 Effective for annual periods beginning on or after July 1, 2011
3 Effective for annual periods beginning on or after January 1, 2012
4 Effective for annual periods beginning on or after January 1, 2013

The directors of the Company anticipate that the application of the new and revised HKFRSs issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

The Group's operating segments are based on information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purpose of resource allocation and performance assessment. In previous years, leasing of large scale commercial spaces to retailers and distributors was reported to the CODM as a stand-alone operating segment. Following a change in the Group's operating and reporting structure, starting from the current period, such business activities are combined with the Group's retail operation before being reported to the CODM. Accordingly, the CODM now reviews the Group's internal reporting based on three operating segments set out below for which discrete financial information is available.

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

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

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

The following is an analysis of the Group's revenue and results by operating segment for the period under review. The corresponding segment information for the six months ended March 31, 2010 have been restated to reflect the above changes.

Segment revenue and results

For the six months ended March 31, 2011

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

Segment revenue and results

For the six months ended March 31, 2010 (restated)

	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	571,030	23,796	59,356	654,182	–	654,182
Inter-segment sales	–	3,150	–	3,150	(3,150)	–
Total	571,030	26,946	59,356	657,332	(3,150)	654,182
RESULTS						
Segment results	12,279	2,590	6,324	21,193	–	21,193
Reconciling items:						
Central administrative expenses						(5,096)
Finance costs – net						(4,866)
Share of results of associates						629
Share of results of jointly controlled entities						4,122
Fair value changes on derivative financial instruments						217
Impairment losses of interests in jointly controlled entities						(2,480)
Profit before taxation						13,719

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

4. INCOME TAX EXPENSE

	For the six months ended March 31, 2011 US$'000	2010 US$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**395**	297
PRC Enterprise Income Tax ("EIT") *(note ii)*	**9,478**	4,748
Overseas income tax *(note iii)*	**857**	745
Underprovision in prior year:		
PRC EIT	**639**	–
	11,369	5,790
Deferred tax charge (credit)	**806**	(571)
	12,175	5,219

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2010: 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 between 2009 and 2012.

(b) Pursuant to《國家稅務總局關於落實西部大開發有關稅收政策具體實施意見的通知》, the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which were located in specified provinces of Western China and engaged in a specific encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeds 70% of its total revenue in a fiscal year.

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

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.

(iii) Overseas

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

5. PROFIT FOR THE PERIOD

	For the six months ended March 31,	
	2011	2010
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**13,758**	15,629
Release of prepaid lease payment	**329**	476
Amortisation of intangible assets	**2,837**	2,310
Exchange (gain) loss	**(882)**	78
(Reversal of) impairment loss recognised on trade receivables	**(364)**	22
(Reversal of) allowance for inventories	**(1,250)**	3,032
Subsidies rebates and other income from suppliers (included in other income)	**(10,442)**	(3,245)
Impairment losses of interests in an associate and jointly controlled entities (other than included in assets classified as held for sale) *(note)*	**2,000**	800

Note: During the six months ended March 31, 2011, the impairment losses of approximately US$2,000,000 (six months ended March 31, 2010: US$800,000) were 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. The recoverable amounts of the associate and jointly controlled entities were estimated by their fair values less cost to sell.

6. EARNINGS PER SHARE

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

	For the six months ended March 31,	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings:		
Profits for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**34,516**	8,828

	For the six months ended March 31,	
	2011	2010
Number of shares:		
Number of ordinary shares in issue for the purpose of basic earnings per share	**4,290,495,163**	4,290,495,163
Effect of dilutive potential ordinary shares:		
Share options	**137,462**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,290,632,625**	4,290,495,163

The computation of diluted earnings per share for the six months ended March 31, 2010 does not assume the exercise of the Group's share options because the exercise price of those options was higher than the average market price of the shares for the relevant period.

7. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade and bills receivables of US$136,807,000 (September 30, 2010: US$122,780,000) and an aged analysis based on the invoice date is as follows:

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
0 to 30 days	**127,607**	118,858
31 to 90 days	**7,213**	2,902
Over 90 days	**1,987**	1,020
	136,807	122,780

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$109,674,000 (September 30, 2010: US$99,427,000) and an aged analysis based on the invoice date is as follows:

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
0 to 30 days	**107,795**	97,431
31 to 90 days	**1,169**	1,138
Over 90 days	**710**	858
	109,674	99,427

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended March 31, 2011.

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 part of our strategy to enrich our retail network, brand portfolio and geographic coverage, we have established regional joint ventures in different regions in the PRC with leading local retailer. Those regional joint ventures operate their retail business under a model similar to ours. As at March 31, 2011, we had 2,765 directly operated retail outlets, and 3,282 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 1,251 and 1,018 respectively. The Group completed the acquisition of the remaining equity interests in Zhejiang Yichuan Sports Goods Chain Company Limited ("Zhejiang Yichuan"), its original joint venture on October 1, 2010, and the number of the Group's directly operated retail outlets and retail sub-distributors aforesaid had included the number of outlets of Zhejiang Yichuan.

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely Converse, Reebok, Wolverine and Hush Puppies. The brand licensee agreements we have entered into typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices under products of the licensed brands in specified locations within the Greater China Region for a specified period of time. Currently, we are the exclusive brand licensee for Converse's footwear, apparel and accessories in Hong Kong, Macau and Taiwan until December 31, 2012. Besides, the Group is the exclusive brand licensee for Reebok products in the mainland China until December 31, 2015.

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

Regarding the joint venture business, the Group completed the acquisition of the remaining equity interests in Zhejiang Yichuan on October 1, 2010, which has now become a wholly owned subsidiary of the Group. A series of integration work was immediately commenced. Considering the diversification and long-term plan to expand the Group's retail market, regional coverage and to diversify licensee brands, the Group continued the integration work of business, financial management and system with several regional joint ventures. We may decide to acquire the remaining equity interests of these regional joint ventures when the integration progress becomes mature under a favorable market condition, to enable us to become one of the leading retailers in the Greater China Region.

FINANCIAL REVIEW

For the six months ended March 31, 2011, the Group recorded revenue of US$771 million and profit attributable to owners of the Company of US$34.5 million (the profit attributable to owners of the Company reflected non-recurring net gain of US$11.9 million of gain on deemed disposal of a jointly controlled entity, fair value changes on derivative financial instruments and impairment losses of interests in an associate and jointly controlled entities, etc.), representing an increase of 17.9% and 291% respectively as compared with the same period of last year.

While the operation of the Group's business was getting more stable, the overall performance of the regional joint ventures indicated a slowdown as compared with that in the past. Excluding the effect bought by the acquisition and the termination of investment in regional joint ventures, most of the remaining regional joint ventures were affected by its owned operating model and the pace of adjustment that was lagged behind, hence resulting in a weaker performance as compared with that in the past. For the six months ended March 31, 2011, share of results of joint ventures was loss of US$4.6 million. In the light of the aforesaid situation, the Group has worked closely with the joint venture partners on proposals to improve operation and reviewed the investment direction and structure of the joint ventures in order to increase its earnings.

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

REVENUE

Our revenue increased by 17.9% to US$771 million for the six months ended March 31, 2011 as compared with the same period of last year. This increase was primarily due to the continuing growth in our retail and manufacturing businesses where the growth in retail business comprised factors in relation to acquisition of the remaining equity interest in Zhejiang Yichuan. Excluding such acquisition, the Group's revenue for the current period would have been US$689 million, representing an increase of 5.4% as compared with the same period of previous year.

Retail Business

Revenue from our retail business increased by 16.7% to US$666 million as compared with the same period of last year. This increase was primarily attributable to the acquisition of Zhejiang Yichuan.

Brand Licensee Business

Revenue from our brand licensee business increased by 20.5% to US$28.7 million as compared with the same period of last year, which was primarily due to the launch of RBK business and the natural increase of existing brands.

Manufacturing Business

As the number of production lines increased to 24 in this period, from 19 of the last corresponding period in 2010, revenue growth from our manufacturing business increased by 28.3% to US$76.2 million as compared with the same period of last year. The capacity utilization rate reached a full-blown status and the average selling price remained stable.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$237 million, representing an increase of 18.1% compared with last year. Gross profit margin was 30.7%.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the six months ended March 31, 2011 increased to US$212 million, representing an increase of 11.1% as compared with the same of last year. The increase in expenses was mainly due to the full consolidation of Zhejiang Yichuan's financial information during this fiscal year. The Group aimed at rationalizing its operating costs and continues to reduce costs. The percentage of distribution expenses and administrative expenses to revenue decreased to 27.4% this period, from 29.1% in the same period of last year.

OPERATING PROFIT

To sum up the above, the Group's operating profit during the period increased to US$42.2 million, representing a significant increase of 162.1% as compared with the same period of last year.

GAIN ON DEEMED DISPOSAL OF A JOINTLY CONTROLLED ENTITY

During the period, a non-recurring gain of US$18.8 million on deemed disposal of a jointly controlled entity was recorded after completion of acquisition of the remaining 50% equity interests in Zhejiang Yichuan.

IMPAIRMENT LOSSES OF INTERESTS IN AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

For the six months ended March 31, 2011, the impairment losses of approximately US$2 million have been made in respect of the Group's interests in an associate and jointly controlled entities due to the expectation of losses arising from the anticipated future disposals.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

For the six months ended March 31, 2011, the Group's fair value changes on derivative financial instruments were loss of US$4.7 million. Assuming that the basic factors used in assessing the value of derivative financial instruments remained constant, the Group expected that the value of derivative financial instruments would decrease year by year due to the shortened remaining years for the exercising of the call options under the relevant Call Options agreements.

INTEREST EXPENSES ON BANK BORROWINGS WHOLLY REPAYABLE WITHIN FIVE YEARS

Our interest expenses on bank borrowings wholly repayable within five years decreased to US$ 5.1 million, representing a decrease of 19.1% compared with the same period of last year, as a result of the average monthly outstanding borrowings decreased during the period.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Our share of results of associates and jointly controlled entities was loss of US$4.6 million for the six months ended March 31, 2011 while that for the same period of last year was share of profit of US$4.8 million. Our share of results took a turn to loss from profit mainly because (1) the Group still shared the results of four joint ventures, namely Zhejiang Yichuan, Jinguan, Jiezhixing and Shenge in the same period of last year, whereas the Group had successively disposed and acquired these companies since the second half of last year. Hence, the base on which the Group shared the results of these joint ventures under this item diminished during the current period; and (2) the effectiveness associated with the channel expansion of some joint ventures slowed down, more efforts were made to increase sales and intensify price markdown, consequently, relevant sales and management expenses increased and the profit was decreased and resulting in loss.

INCOME TAX EXPENSE

As the profit before taxation in subsidiaries increased, our income tax expense increased to US$12.2 million, representing an increase of 133.3% as compared with the same period of last year. Except for certain subsidiaries in the PRC that enjoyed different preferential tax rate, a statutory tax rate of 25% was applied to the rest of the Group in the PRC.

PROFIT FOR THE PERIOD

Our profit for the six months ended March 31, 2011 was US$35.5 million, representing an significant increase of 317.8% as compared with the same period of last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the six months ended March 31, 2011 and the fiscal year ended September 30, 2010 were 100 days and 111 days respectively. The decrease was primarily due to various continued measures taken by the Group in liquidating excess inventory, as a result of which the average inventory level is currently returned to a reasonable level.

The average trade receivables turnover days for the six months ended March 31 2011 and the fiscal year ended September 30, 2010 were 31 days and 33 days respectively. Average trade receivables turnover days remained consistent with the credit terms of 30 to 60 days that the Group granted to its department store counters and retail distributors.

The average trade and bill payables turnover days for the six months ended March 31, 2011 and the fiscal year ended September 30, 2010 were 36 days and 43 days respectively. As the Group recorded a relatively sufficient cash flow from operation for the current period, we continue our plan to use the capital to match the cash rebate policy offered by the brand companies in exchange for quicker payment for merchandise, hence the average trade and bill payables turnover days decreased.

LIQUIDITY AND FINANCIAL RESOURCES

As at March 31, 2011, the Group's cash and cash equivalents were US$147 million (September 30, 2010: US$178 million) and the working capital (current assets minus current liabilities) was US$436 million (September 30, 2010: US$354 million). Our total bank borrowings decreased by 21% to US$173 million, from US$218 million as at September 30, 2010, of which US$146 million are repayable within one year and US$26.9 million are repayable more than one year but not exceeding three years. The bank borrowings were denominated mainly in Renminbi and cash and cash equivalents were mainly held in Renminbi as well. The Group's current ratio was 222%, (September 30, 2010: 198%). The gearing ratio (total borrowings divided by total assets) was 14% as at March 31, 2011 (September 30, 2010: 18%).

For the six months ended March 31, 2011, net cash from operating activities was US$47.4 million. The Group believes our liquidity requirement 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$10 million, and capital expenditure used to purchase of property, plants and equipment was of US$15.1 million during the period. Net cash used in financing activities was US$70.3 million. During the period, the Group had raised and repaid bank borrowings of US$94 million and US$159 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2011, the Group had capital commitments of US$1.6 million in respect of investment in jointly controlled entities. In addition, the Group had contingent liabilities of US$10.8 million and US$12.2 million in relation to guarantee given to banks in respect of banking facilities granted to jointly controlled entities and a former subsidiary.

FOREIGN EXCHANGE

The Group conducts its businesses primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in translation gain or loss in our financial statements as US dollar is used as our reporting currency. As at March 31, 2011, the Group had no significant hedges for the foreign exchange.

PROSPECTS

Currently, statistics indications in different aspects show that the global economy has come to its period of recovery and growth. However, concerns over inflation prevails despite that the economy of China maintains its momentum of high growth, which may affect marginal consumption powers and inclinations of consumers. On the other hand, in respect of the condition of the sportswear industry that the Group operated in, lag effects as a result of the over heated expansion of sportswear retailing industry before and after the Olympics have led the overall industry to the stage of readjustment and reconstruction, which could bring about growth opportunities and risks at the same time. As a leading sportswear retailer in the industry and in view of this change, the Group still needs to intensify its speed to reform its overall organization, constitution and business model, and to establish a harmony corporate culture and right staff's value, in order to secure its mid- to long-term core competitiveness and then to accomplish it's mission.

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

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

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

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

- In respect to integration and development management of joint ventures, joint ventures are now under the stage of management and business restructure as a whole due to the reform of their licensed brands. This resembles the previous adjustment process of the Company and needs certain amount of time. The Group is in closely negotiation with certain potential joint venture partners for chances to further co-operate or integrate, and will plan prudently to pursue a larger market share and strengthen the leadership in the industry.

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

  Current stage – "complete and internal change"

  To carry out the overall strategies of the Group, the Group will divide its nationwide retail business into several key regions, try to suit the measure to local conditions to integrate resources and conduct intensive exploration in each geographic location for profit enhancement. For brand relationship development, we will fully utilize the competitive advantages of resource integration, information sharing, experience promotion, resource procurement, inventory allocation, talent optimization and mobility as a retail group on nationwide level, as thus enhance general profitability of the Group.

  Short to mid-term stage – "innovation and breakthrough"

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

Long term stage – "establishment of leading position"

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

HUMAN RESOURCES

As at March 31, 2011, the Group had a total of 26,600 employees. The Group reviews the performance of its employees periodically, which serves as a consideration basis in annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also make reference to remuneration packages offered by peers in the industry. For our senior management, the Group reward its senior management with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social securities, mandatory retirement funds, medical coverage and training programs to employees based on their personal career development.

SHARE OPTION SCHEME

On January 20, 2011, the Company granted to certain participants options under which the holders are entitled to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company pursuant to the Share Option Scheme at an exercise price of HK$1.23 per share. The number of shares exercisable and subscribable pursuant to the options granted then was 55,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended March 31, 2011, 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 financial statements for the six months ended March 31, 2011.

The external auditor has reviewed the interim financial information for the six months ended March 31, 2011 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

During the six months ended March 31, 2011, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code throughout the six months ended March 31, 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the designated issuer website of Stock Exchange (www.hkexnews.hk).

The interim report 2011 of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENT

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

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, May 31, 2011

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

Website: www.pousheng.com