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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶 勝 國 際（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

FINAL RESULTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended September 30,		Percentage increase
	2011	2010	
Revenue *(US$'000)*	**1,589,802**	1,323,845	**20.1%**
Operating profit *(US$'000)*	**82,078**	43,528	**88.6%**
Profit attributable to owners of the Company *(US$'000)*	**53,670**	21,287	**152.1%**
Basic earnings per share *(US Cents)*	**1.25**	0.50	**150.0%**

RESULTS

The directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended September 30, 2011 with comparative figures for the corresponding year in 2010 as follows:

Consolidated Income Statement

For the year ended September 30, 2011

	Notes	**2011**	2010
		US$'000	*US$'000*
Revenue	2	**1,589,802**	1,323,845
Cost of sales		**(1,107,456)**	(926,790)
Gross profit		**482,346**	397,055
Other income and gains (losses)		**37,694**	12,830
Selling and distribution expenses		**(366,718)**	(294,960)
Administrative expenses		**(71,244)**	(71,397)
Operating profit		**82,078**	43,528
Interests on bank borrowings wholly repayable within five years		**(9,984)**	(11,510)
Finance income		**5,845**	3,708
Finance cost – net		**(4,139)**	(7,802)
Share of results of associates		**697**	851
Share of results of jointly controlled entities		**(3,182)**	9,890
Gain on deemed disposal of a jointly controlled entity		**18,767**	–
Gain on disposals of subsidiaries		**–**	1,776
Gain on deregistration of subsidiaries		**341**	122
Impairment losses of interests in associates		**(500)**	(1,300)
Impairment losses of interests in jointly controlled entities		**(1,500)**	(1,700)
Loss on disposals of jointly controlled entities		**–**	(8,203)
Impairment loss of an available-for-sale investment		**(100)**	(900)
Fair value changes on derivative financial instruments		**(15,601)**	(6,393)
Profit before taxation		**76,861**	29,869
Income tax expense	3	**(22,051)**	(9,702)
Profit for the year	4	**54,810**	20,167

	Note	2011 US$'000	2010 US$'000
Attributable to:			
Owners of the Company		**53,670**	21,287
Non-controlling interests		**1,140**	(1,120)
		54,810	20,167
Earnings per share	5		
– basic		**US 1.25 cents**	US 0.50 cent
– diluted		**US 1.25 cents**	US 0.50 cent

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2011

	2011 US$'000	2010 US$'000
Profit for the year	**54,810**	20,167
Other comprehensive income		
Exchange difference arising on translation	**30,755**	13,765
Total comprehensive income for the year	**85,565**	33,932
Attributable to:		
Owners of the Company	**83,718**	34,408
Non-controlling interests	**1,847**	(476)
	85,565	33,932

Consolidated Statement of Financial Position

At September 30, 2011

	Note	**2011**	2010
		US$'000	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**117,173**	143,680
Deposit paid for acquisition of property, plant and equipment		**918**	465
Prepaid lease payments		**24,321**	27,080
Rental deposits and prepayments		**25,927**	22,375
Deposit paid for proposed acquisition of a business		**3,127**	–
Intangible assets		**111,882**	70,612
Goodwill		**42,226**	27,622
Interests in associates		**8,387**	7,809
Loans to associates		**7,536**	7,659
Interests in jointly controlled entities		**41,950**	55,014
Loans to jointly controlled entities		**45,878**	58,042
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		**1,219**	19,223
Long-term loan receivables		**8,311**	17,642
Available-for-sale investments		**–**	100
Derivative financial instruments		**22,363**	46,024
Pledged bank deposits		**12,507**	–
Deferred tax assets		**1,978**	2,293
		475,703	505,640
CURRENT ASSETS			
Inventories		**400,806**	262,049
Trade and other receivables	6	**280,717**	240,207
Prepaid lease payments		**625**	654
Taxation recoverable		**1,369**	1,978
Available-for-sale investments		**–**	8,227
Amounts due from related parties		**3,693**	14,307
Bank balances and cash		**172,688**	178,056
		859,898	705,478
Assets classified as held of sale		**37,168**	–
		897,066	705,478

	Note	**2011** **US$'000**	2010 *US$'000*
CURRENT LIABILITIES			
Trade and other payables	7	**279,512**	158,960
Taxation payable		**5,298**	7,150
Amounts due to related parties		**65**	1,024
Bank borrowings		**168,187**	184,353
		453,062	351,487
NET CURRENT ASSETS		**444,004**	353,991
TOTAL ASSETS LESS CURRENT LIABILITIES		**919,707**	859,631
NON-CURRENT LIABILITIES			
Bank borrowings		**–**	33,611
Deferred tax liabilities		**30,403**	21,695
		30,403	55,306
NET ASSETS		**889,304**	804,325
CAPITAL AND RESERVES			
Share capital		**5,513**	5,504
Reserves		**868,819**	784,813
Equity attributable to owners of the Company		**874,332**	790,317
Non-controlling interests		**14,972**	14,008
TOTAL EQUITY		**889,304**	804,325

Notes to the Consolidated Financial Statements

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

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

HKFRSs (Amendments)	Amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 as part of Improvements to HKFRSs 2009
HKFRSs (Amendments)	Amendments to HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) as part of Improvements to HKFRSs 2010
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008)[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 24 (Revised 2009)	Related Party Disclosures[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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

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

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

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

The five new or revised standards on consolidation, joint arrangements and disclosures, including HKAS 27 (Revised 2011), HKAS 28 (Revised 2011), HKFRS 10, HKFRS 11 and HKFRS 12, were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year beginning on or after January 1, 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal

with complex scenarios. Overall, the application of HKFRS 10 requires extensive judgement. The directors are in the process of determining the financial impacts of the application of HKFRS 10.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. All of the Group's jointly controlled entities are currently accounted for using the equity method of accounting. The directors are in the process of determining the financial impacts of the application of HKFRS 11.

HKFRS 12 "Disclosures of Interests in Other Entities" is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. HKFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives, which laid down that entities should disclose information that help users of financial statements evaluate the nature of the risks associated with interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in HKFRS 12 are more extensive than those in the current standards. The directors of the Company consider that significant efforts may be required to collect the necessary information for the relevant disclosures.

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

2. REVENUE AND SEGMENTAL INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the chief executive officer 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 business unit and constituted a separate operating segment. Following a change in the Group's operating and reporting structure, starting from the current year, 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 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").

The following is an analysis of the Group's revenue and results by operating segment for the year. The corresponding segment information for the year ended September 30, 2010 have been restated to reflect the above changes.

Segment revenue and results

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

	Retail Business	Brand Licensee Business	Manufacturing Business	Segment total	Eliminations	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended September 30, 2011						
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
Segment profit	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						(500)
Impairment losses of interests in jointly controlled entities						(1,500)
Impairment loss of an available-for-sale investment						(100)
Fair value changes on derivative financial instruments						(15,601)
Profit before taxation						76,861

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment total US$'000	Eliminations US$'000	Consolidated US$'000
For the year ended September 30, 2010 (restated)						
REVENUE						
External sales – sportswear and footwear products	1,140,901	44,782	128,825	1,314,508	–	1,314,508
External sales – commissions from concessionaire sales	9,337	–	–	9,337	–	9,337
Inter-segment sales*	2,831	7,371	–	10,202	(10,202)	–
Total segment revenue	1,153,069	52,153	128,825	1,334,047	(10,202)	1,323,845
Segment profit	38,939	3,437	12,073	54,449	–	54,449
Reconciling items:						
Central administrative expenses						(10,921)
Finance costs – net						(7,802)
Share of results of associates						851
Share of results of jointly controlled entities						9,890
Gain on disposal of subsidiaries						1,776
Gain on deregistration of subsidiaries						122
Loss on disposals of jointly controlled entities						(8,203)
Impairment losses of interests in associates						(1,300)
Impairment losses of interests in jointly controlled entities						(1,700)
Impairment loss of an available-for-sale investment						(900)
Fair value changes on derivative financial instruments						(6,393)
Profit before taxation						29,869

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

Segment profit represents 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 purposes of resource allocation and performance assessment.

3. INCOME TAX EXPENSE

	2011	2010
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax charge		
Current year:		
Hong Kong Profits Tax *(note i)*	**743**	588
PRC Enterprise Income Tax ("EIT") *(note ii)*	**20,788**	9,687
Overseas income tax *(note iii)*	**988**	1,296
	22,519	11,571
Under (over) provision in prior years:		
PRC EIT	**1,026**	640
Overseas income tax	**–**	(246)
	1,026	394
	23,545	11,965
Deferred tax credit	**(1,494)**	(2,263)
	22,051	9,702

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

(ii) PRC

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

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 during the current year. Since the Catalogue has not yet been issued, it is uncertain whether certain subsidiaries could continue to enjoy the preferential tax rate of 15% in 2011.

(iii) Overseas

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

4. PROFIT FOR THE YEAR

	2011	2010
	US$'000	*US$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**1,119**	1,501
Retirement benefit scheme contributions, excluding directors	**11,724**	8,945
Equity-settled share-based payments, excluding directors	**2,233**	1,477
Other staff costs	**124,246**	120,310
Total staff costs	**139,322**	132,233
Auditor's remuneration	**526**	528
Depreciation of property, plant and equipment	**27,380**	28,935
Release of prepaid lease payment	**620**	797
Amortisation of intangible assets (included in selling and distribution expenses)	**5,746**	4,627
Loss on disposal of property, plant and equipment	**1,411**	3,087
(Reversal of) impairment loss recognised on trade receivables (included in other income and gains (losses))	**(460)**	422
Impairment loss recognised on other receivables (included in other income and gains (losses))	**2,014**	–
(Reversal of) allowance for inventories, net (included in other income and gains (losses)) *(note)*	**(4,782)**	1,815
Costs of inventories recognised as an expense	**1,107,456**	926,790
Research and development expenditure recognised as an expense	**3,631**	2,828
Subsidies, rebates and other income from suppliers (included in other income and gains (losses))	**(19,783)**	(7,180)
Net exchange gain	**(4,083)**	(522)
Share of taxation of associates (included in share of results of associates)	**511**	502
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**1,413**	3,210

note: Certain of the write-down of inventories previously recognised was reversed during the year as evidenced by the subsequent disposal of the relevant inventories.

5. 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:

	2011	2010
	US$'000	*US$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**53,670**	21,287

	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,309,485,163**	4,290,495,163

The computation of diluted earnings per share for both years does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the shares in the respective years.

6. TRADE AND OTHER RECEIVABLES

	2011	2010
	US$'000	*US$'000*
Trade receivables	**170,720**	122,780
Deposits, prepayments and other receivables	**109,997**	117,427
	280,717	240,207

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

	2011	2010
	US$'000	*US$'000*
0 – 30 days	**165,904**	118,858
31 – 90 days	**2,869**	2,902
Over 90 days	**1,947**	1,020
	170,720	122,780

7. TRADE AND OTHER PAYABLES

	2011	2010
	US$'000	*US$'000*
Trade payables	**147,266**	89,987
Bills payables	**614**	483
Other payables	**131,632**	68,490
	279,512	158,960

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

	2011	2010
	US$'000	*US$'000*
0 – 30 days	**145,627**	88,474
31 – 90 days	**1,231**	1,138
Over 90 days	**1,022**	858
	147,880	90,470

FINAL DIVIDEND

The Directors do not propose any final dividend for the year ended September 30, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, March 2, 2012 to Wednesday, March 7, 2012, both days inclusive, during which period no transfer of the Company's shares will be registered. In order to establish the identity of the Company's shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, March 7, 2012 all transfer of the shares of the Company accompanied by the relevant share certificates must be lodged with the Company's registrar and transfer agent in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, March 1, 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, 2011, we had 3,055 directly operated retail outlets, and 3,357 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 1,078 and 946 respectively. In view of the exclusive distributor contract of Converse's products in the PRC with Converse will be expired on December 31, 2011, this may affect the performance of the Group's retail wholesale business. The Group has plans and arrangements and will make use of the new brand licensee arrangement with Reebok to promote its retail business and other brands' retail business development to fill the vacancy.

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely Converse, Reebok, Hush Puppies and Wolverine. 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. For the new brand licensee arrangement with Reebok, the Group is the exclusive brand licensee for Reebok products in the mainland China until December 31, 2015. To cope with the Group's future plan, an arrangement for early termination of the relevant brand licensee agreement is under negotiation between the Group and Wolverine.

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

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 will continue 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 fiscal year ended September 30, 2011, the Group recorded revenue of US$1,589.8 million and profit attributable to owners of the Company of US$53.7 million (the profit attributable to owners of the Company reflected non-recurring net gain of US$1.4 million of gain on deemed disposal of a jointly controlled entity, deregistration of subsidiaries, fair value changes on derivative financial instruments and impairment losses of interests in an associate and jointly controlled entities, etc.), representing an increase of 20.1% and 152.1% respectively as compared with 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 licensee contents, operating model and the pace of adjustment on operation that was lagged behind, hence resulting in a weaker performance as compared with that in the past and a loss on share of results of joint ventures of US$2.5 million for the year. However, as various joint ventures commenced adjustments during the period, results in the second half of the year performed better than the first half. In general, the Group has worked closely with the joint venture partners on proposals to improve operation, reviewed the investment direction and structure of the joint ventures and purified in every aspect in order to increase its earnings.

Based on the foregoing, under the current challenging situation, 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 20.1% to US$1,589.8 million for the fiscal year ended September 30, 2011 as compared with 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 year would have been US$1,432.9 million, representing an increase of 8.2% on a year-on-year basis.

Retail Business

Revenue from our retail business increased by 20% to US$1,380.5 million. This increase was primarily attributable to the acquisition of Zhejiang Yichuan.

Brand Licensee Business

Revenue from our brand licensee business increased by 35.1% to US$60.5 million, which was primarily due to the launch of RBK business and the natural growth of existing brands.

Manufacturing Business

Revenue growth from our manufacturing business increased by 15.5% to US$148.8 million on a year-on-year basis, which was attributable to the increase in the number of production line from 21 lines in the previous year to 25 lines for the year. During the period, the capacity utilization rate is close to the mature status and the average selling price remained stable.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the year, the Group's gross profit increased by 21.5% to US$482.3 million from the previous year. The gross profit margin was 30.3%.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group increased by 19.5% to US$438.0 million, which was mainly attributable to the full consolidation of Zhejiang Yichuan's financial information during the year. The Group aimed at rationalizing its operating costs and continues to reduce costs. Despite the effect arising from inflation, the percentage of selling and administrative expenses to revenue was 27.5%, representing a slight decrease as compared with the same period of last year.

OPERATING PROFIT

To sum up the above, the Group's operating profit increased to US$82.1 million, representing a significant increase of 88.6%.

GAIN ON DEEMED DISPOSAL OF A JOINTLY CONTROLLED ENTITY

During the year, 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 ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

For the fiscal year ended September 30, 2011, the impairment losses of approximately US$2 million have been made in respect of the Group's interest in certain joint ventures due to the expectation of losses arising from the anticipated future disposals.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Group's fair value changes on derivative financial instruments were loss of US$15.6 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.

INTERESTS ON BANK BORROWINGS WHOLLY REPAYABLE WITHIN FIVE YEARS

Our interest expenses on bank borrowings wholly repayable within five years decreased to US$10 million, representing a decrease of 13.3%, as a result of the average monthly outstanding borrowings decreased during the year.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Our share of results of associates and jointly controlled entities was loss of US$2.5 million for the year, which was mainly because (1) the Group still shared the results of four joint ventures, namely Jinguan, Jiezhixing, Shenge and Zhejiang Yichuan in last year, whereas the Group had successively disposed of the first three companies since the second half of last year and acquired the remaining equity interest in Zhejiang Yichuan during the year. Hence, the base on which the Group shared the results of these joint ventures diminished during the year; 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 selling and administrative 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$22.1 million, representing an increase of 127.3% as compared with 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's subsidiaries in the PRC.

PROFIT FOR THE YEAR

Our profit for the fiscal year ended September 30, 2011 was US$54.8 million, representing an significant increase of 171.8% as compared with last year.

WORKING CAPITAL EFFICIENCY

During the year, the average inventory turnover days was 109 days (2010: 111 days), which remained at a reasonable level. The average trade receivables turnover days was 34 days (2010: 33 days), which was 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 was 39 days (2010: 42 days). As the Group recorded a relatively sufficient cash flow from operation, 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at September 30, 2011, the Group's cash and cash equivalents were US$172.7 million (September 30, 2010: US$178.1 million) and the working capital (current assets minus current liabilities) was US$444 million (September 30, 2010: US$354 million). Our total bank borrowings decreased by 22.8% to US$168.2 million, from US$218.0 million as at September 30, 2010, which are repayable within one year. 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 198%, (September 30, 2010: 201%). The gearing ratio (total borrowings divided by total assets) was 12% as at September 30, 2011 (September 30, 2010: 18%).

During the period, net cash from operating activities was US$28.4 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 from investing activities was US$51.6 million, and capital expenditure used to purchase of property, plants and equipment was of US$30.4 million. Net cash used in financing activities was US$87.5 million. The Group had raised and repaid bank borrowings of US$164.6 million and US$237.4 million respectively.

DEPOSIT PAID FOR PROPOSED ACQUISITION OF A BUSINESS

On September 30, 2011, a member of the Group entered into a non-legally binding (save for provisions relating to treatment of deposit and exclusivity which are expressed to be binding) letter of intent with Pengda, pursuant to which the Group would acquire, subject to completion of due diligence, negotiations and the entering into a formal agreement, the tangible assets (including but not limited to the shop operating assets, property, plant and equipment and inventories) and intangible assets (including but not limited to non-competing agreements and customer relationships) in the sportswear retailing business in the PRC owned by Pengda and its related parties. The entire balance as at September 30, 2011 arose during the year and represents a refundable deposit paid to Pengda while the Group conducts its due diligence.

Subsequently on December 21, 2011, a non-legally binding (save for provisions relating to treatment of deposit and exclusivity which are expressed to be binding) restated and amended letter of intent superseding the letter of intent dated September 30, 2011 was entered into under which a further refundable deposit was paid with a view to securing continuing discussion and extension of exclusivity.

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, 2011, the Group had capital commitments of US$11.0 million and US$1.6 million in respect of the acquisition of the remaining interests in a jointly controlled entity and the investment in jointly controlled entities respectively. In addition, the Group had contingent liabilities of US$9.9 million and US$12.5 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 September 30, 2011, the Group had no significant hedges for the foreign exchange.

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 European debt crisis 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 environments of the sportswear industry that the Group operated in, the over heated expansion of the industry amid high-speed development in current years and the lag effects resulted have led the players in the sports industry to the stage of continuous readjustment of business model and necessary reconstruction in order to adapt to macro and micro economic changes, which could bring about growth opportunities and risks at the same time. As such, the Group, as a leading sportswear retailer in the industry, knows well the importance of such opportunities and still needs to, internally, 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 and, externally, to grasp the chance to capture opportunities for integration and combination of retail and brand businesses with high value through the scale expansion in order to remain itself at a leading position for the long run.

Leveraging on the continued restructuring and planning of product purchase and product line profile by the management team, 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 leading position in the industry.

- 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 stores and developing innovative ways or models, for example multi-brand store, 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 takes time for improvement. 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, capture progressively the geographical locations with advantages and completely 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 September 30, 2011, the Group had a total of 27,500 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 year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

For the year ended September 30, 2011, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standards as set out in the Model Code throughout the year ended September 30, 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The Annual Report 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 customer, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff of the Group for their commitment and dedicated services throughout the period.

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, December 29, 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, and Mr. Chang Li Hsien, Leslie are the Independent Non-executive Directors.

Website: www.pousheng.com