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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED MARCH 31, 2010

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended March 31,		**Percentage increase**
	2010	2009	
Revenue *(US$'000)*	**654,182**	533,895	**22.5%**
Profit attributable to owners of the Company *(US$'000)*	**8,828**	4,784	**84.5%**
Basic earnings per share *(US cent)*	**0.21**	0.13	**61.5%**
Dividend per share – Interim *(US cent)*	**–**	–	**N/A**

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, 2010 with comparative figures for the corresponding period in 2009 as follows:

Condensed Consolidated Income Statement

For the six months ended March 31, 2010

		For the six months ended March 31,	
		2010	2009
	NOTES	***US$'000***	*US$'000*
		(unaudited)	(unaudited)
Revenue	3	**654,182**	533,895
Cost of sales		**(453,786)**	(358,750)
Gross profit		**200,396**	175,145
Other income		**7,625**	7,312
Selling and distribution expenses		**(151,589)**	(142,136)
Administrative expenses		**(38,440)**	(43,790)
Equity-settled share-based payments		**(413)**	(2,580)
Interests on bank borrowings wholly repayable within five years		**(6,348)**	(8,658)
Fair value changes on derivative financial instruments		**217**	69
Impairment loss of interests in jointly controlled entities		**(2,480)**	–
Share of results of associates		**629**	1,799
Share of results of jointly controlled entities		**4,122**	17,138
Profit before taxation		**13,719**	4,299
Income tax expense	4	**(5,219)**	(1,849)
Profit for the period	5	**8,500**	2,450
Attributable to:			
Owners of the Company		**8,828**	4,784
Non-controlling interests		**(328)**	(2,334)
		8,500	2,450
Earnings per share	6		
– Basic		**US0.21 cent**	US0.13 cent
– Diluted		**US0.21 cent**	US0.13 cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended March 31, 2010

	For the six months ended March 31,	
	2010	2009
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit for the period	**8,500**	2,450
Exchange difference arising on translation, representing other comprehensive income for the period	**341**	1,111
Total comprehensive income for the period	**8,841**	3,561
Attributable to:		
Owners of the Company	**9,102**	5,899
Non-controlling interests	**(261)**	(2,338)
	8,841	3,561

Condensed Consolidated Statement of Financial Position

At March 31, 2010

	NOTE	At March 31, 2010 US$'000 (unaudited)	At September 30, 2009 US$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**181,939**	185,951
Deposit paid for acquisition of property, plant and equipment		**350**	4,436
Prepaid lease payments		**36,560**	36,985
Rental deposits and prepayments		**25,780**	29,455
Intangible assets		**71,470**	73,756
Goodwill		**27,622**	27,622
Interests in associates		**8,730**	8,099
Loans to associates		**7,502**	7,499
Interests in jointly controlled entities		**74,443**	77,794
Loans to jointly controlled entities		**85,631**	73,613
Available-for-sale investment		**1,000**	1,000
Derivative financial instruments		**54,595**	55,321
Deferred tax assets		**1,215**	1,215
		576,837	582,746
CURRENT ASSETS			
Inventories		**255,419**	300,447
Trade and other receivables	7	**201,832**	192,446
Prepaid lease payments		**1,008**	1,047
Taxation recoverable		**558**	761
Amounts due from jointly controlled entities		**14,619**	8,493
Amount due from non-controlling interest of a subsidiary		**–**	732
Derivative financial instrument		**943**	–
Bank balances and cash		**182,281**	179,830
		656,660	683,756
Asset classified as held for sale		**5,479**	–
		662,139	683,756

	NOTE	At March 31, 2010 US$'000 (unaudited)	At September 30, 2009 US$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	8	**147,311**	189,095
Taxation payable		**9,280**	8,622
Amounts due to non-controlling interests of subsidiaries		**1,024**	1,088
Bank borrowings		**232,170**	253,589
		389,785	452,394
NET CURRENT ASSETS		**272,354**	231,362
TOTAL ASSETS LESS CURRENT LIABILITIES		**849,191**	814,108
NON-CURRENT LIABILITIES			
Bank borrowings		**47,582**	20,652
Deferred tax liabilities		**22,309**	22,880
		69,891	43,532
NET ASSETS		**779,300**	770,576
CAPITAL AND RESERVES			
Share capital		**5,504**	5,504
Reserves		**758,342**	748,827
Equity attributable to owners of the Company		**763,846**	754,331
Non-controlling interests		**15,454**	16,245
TOTAL EQUITY		**779,300**	770,576

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended September 30, 2009.

In the current interim period, the Group has applied, for the first time, new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on October 1, 2009.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 "Segment Reporting" (see Note 3).

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)	Amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 as part of Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[4]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after January 1, 2010
[2] Effective for annual periods beginning on or after January 1, 2011
[3] Effective for annual periods beginning on or after February 1, 2010
[4] Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate
[5] Effective for annual periods beginning on or after July 1, 2010
[6] 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 standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from October 1, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of Directors of the Company, in order to allocate resources to segments and to assess their performance.

In contrast, the predecessor Standard, HKAS 14, required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments.

In the opinion of the Directors, the basis upon which the Group reported its primary segment information under HKAS 14 in previous years is identical to the basis upon which internal reports have been presented to the Company's board of Directors. The Group's operating segments under HKFRS 8 are therefore identical to the business segments under HKAS 14. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue, profit or loss, assets and liabilities.

The Group's operating segments under HKFRS 8, which are identical to its business segments under HKAS 14, are:

(i) manufacturing and sales of OEM footwear ("Manufacturing Business");

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

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

(iv) operation and management of sportswear malls ("Property Leasing and Management").

For the six months ended March 31, 2010

	Manufacturing Business US$'000	Retail Business US$'000	Brand Licensee Business US$'000	Property Leasing and Management US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	59,356	566,155	23,796	4,875	–	654,182
Inter-segment sales*	–	–	3,150	400	(3,550)	–
Total	59,356	566,155	26,946	5,275	(3,550)	654,182
RESULTS						
Segment results	6,324	18,691	2,590	(6,412)	–	21,193
Unallocated income						1,482
Unallocated expenses						(4,954)
Equity-settled share-based payments						(142)
Interest on bank borrowings wholly repayable within five years						(6,348)
Fair value changes on derivative financial instruments						217
Impairment loss of interests in jointly controlled entities						(2,480)
Share of results of associates						629
Share of results of jointly controlled entities						4,122
Profit before taxation						13,719

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

For the six months ended March 31, 2009

	Manufacturing Business	Retail Business	Brand Licensee Business	Property Leasing and Management	Eliminations	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE						
External sales	59,111	429,181	41,452	4,151	–	533,895
Inter-segment sales*	–	–	8,841	–	(8,841)	–
Total	59,111	429,181	50,293	4,151	(8,841)	533,895
RESULTS						
Segment results	6,506	(6,084)	6,471	(6,608)	–	285
Unallocated income						2,045
Unallocated expenses						(5,799)
Equity-settled share-based payments						(2,580)
Interest on bank borrowings wholly repayable within five years						(8,658)
Fair value changes on derivative financial instruments						69
Share of results of associates						1,799
Share of results of jointly controlled entities						17,138
Profit before taxation						4,299

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

Segment profit (loss) represents profit (loss) earned (incurred) by each segment without allocation of other income, central administrative costs, equity-settled share-based payments, interest on bank borrowings, fair value changes on derivative financial instruments and shares of results of or items related to jointly-controlled entities and associates. This is the measure reported to the chief operation decision makers for the purpose of resource allocation and performance assessment.

No analysis for the Group's assets and liabilities has been presented since, in the opinion of the directors, there has been no material changes in the Group's assets and liabilities from the amounts disclosed in the last audited annual financial statements.

4. INCOME TAX EXPENSE

	For the six months ended March 31,	
	2010	2009
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**297**	227
PRC Enterprise Income Tax ("EIT") *(note ii)*	**4,748**	2,113
Overseas income tax *(note iii)*	**745**	474
	5,790	2,814
Deferred tax credit	**(571)**	(965)
	5,219	1,849

notes:

(i) **Hong Kong**

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

(ii) **PRC**

PRC EIT was 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 for the followings:

(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 will expire between 2008 and 2010.

(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 from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific encouraged industry are 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 holidays and concessions from EIT entitled as set out in (a) above continue to be applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "New Law"). The preferential treatment set out in (b) above continues on the implementation of the New Law.

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 and the tax holidays have commenced, the unutilised tax holiday is allowed to be carried forward to 2008 and future years until their expiry. However, if an entity has not yet commenced its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards.

(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,	
	2010	2009
	US$'000	*US$'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**15,629**	16,577
Release of prepaid lease payment	**476**	218
Amortisation of intangible assets	**2,310**	–
Research and development expenditure	**1,241**	867
Impairment loss recognised on trade receivables	**22**	164
Impairment loss of interest in a jointly controlled entity (other than included in asset classified as held for sale) *(note)*	**800**	–
Allowance for inventories	**3,032**	1,673

note: During the six months ended March 31, 2010, an impairment loss of approximately US$800,000 has been made in respect of the Group's interest in a jointly controlled entity based on the expected loss arising from the anticipated disposal in the foreseeable future. The recoverable amount of the jointly controlled entity has been estimated by its fair value less cost to sell.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	For the six months ended March 31,	
	2010	2009
	US$'000	*US$'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**8,828**	4,784

	For the six months ended March 31,	
	2010	2009
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**4,290,495,163**	3,567,559,000
Effect of dilutive potential ordinary shares:		
Pre-IPO share subscription plan	**–**	124,252,000
Number of ordinary shares for the purpose of diluted earnings per share	**4,290,495,163**	3,691,811,000

The computation of diluted earnings per share for the six months ended March 31, 2010 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 for the period.

7. **TRADE AND OTHER RECEIVABLES**

The Group allows a credit period ranging from 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$114,623,000 (September 30, 2009: US$115,469,000) and an aged analysis based on the invoice date is as follows:

	At March 31, 2010	At September 30, 2009
	US$'000	*US$'000*
0 - 30 days	**112,148**	108,283
31 - 90 days	**1,739**	5,897
Over 90 days	**736**	1,289
	114,623	115,469

8. **TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade and bills payables of US$70,735,000 (September 30, 2009: US$120,610,000) and an aged analysis based on the invoice date is as follows:

	At March 31, 2010	At September 30, 2009
	US$'000	*US$'000*
0 – 30 days	**68,763**	105,539
31 – 90 days	**1,461**	14,620
Over 90 days	**511**	451
	70,735	120,610

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended March 31, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group

For each of our businesses, the retail business distributes a wide range of sportswear products, including 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. For the six months ended March 31, 2010, we had 2,272 directly operated retail outlets, and 2,811 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 2,039 and 1,894 respectively (the store operated by joint ventures "Hubei Jiezhixing" has been excluded due to the Group has reached definitive agreement to dispose of its equity interest in the company). The operations of the Group and our regional joint ventures have spanned over most of the provinces in the PRC.

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely Converse, 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 of products under the licensed brands in specified geographical locations within the Greater China Region for a specified period of time. Our exclusive brand licensee arrangement with Converse in the PRC has officially expired on December 31, 2008. Starting from January 1, 2009, we have become the exclusive distributor of Converse's products in the PRC until December 31, 2011. Currently, we remain as the exclusive brand licensee for Converse in Hong Kong and Macau until December 31, 2010 and in Taiwan until December 31, 2012.

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

To further diversify the types of retail channels and promote our "YY Sports" branding, our property leasing and management business has a dedicated unit that searches and leases the location as "sports complex" which contains multiple brands' outlets in one single location. These sports complexes are decorated with the full "YY Sports Store" concept which are then sub-divided and leased to the Group's retail business team or third parties.

For our joint venture business, the Group integrates on a continuous basis with the regional joint ventures both on the operational and financial management and system levels, and will consider further acquisitions only after those integrations mature, in order to realize our rationale to become one of the leading retailers in the Greater China Region.

In the process of the joint venturing, taking the interest of the Group as a whole and the long term development into consideration, the Group has negotiated with certain joint venture partners in respect of the disposal of the Group's interests in these specific regional joint ventures. For the six months ended March 31, 2010, appropriate provisions for impairment of the Group's interests in joint ventures have been made due to the expected loss on the disposal of the Group's interests in those joint ventures after the balance sheet date. On the other hand, for the integration of the acquired regional joint ventures, the Group continued the integration of DZJ's (an acquired associate by the Group) frontline business, brand relationship, back-end networks and systems and so on. We believed that the Group's planned objectives of acquisition could be achieved before long.

FINANCIAL REVIEW

For the six months ended March 31, 2010, the Group recorded revenue of US$654.2 million, and profit attributable to owners of the Company of US$8.8 million (the profit attributable to owners of the Company reflected an aggregate of non-cash expenditure of US$5.0 million of equity-settled share-based payments, provision for impairment loss of assets, amortization of intangible assets arising from acquisition of DZJ and fair value changes on derivative financial instruments), representing an increase of 22.5% and 84.5% respectively as compared with the six months ended March 31, 2009. Among them, while the operations of the Group stabilized, the performance of regional joint ventures as a whole worsened as a result of their operational modes and lag in the operational adjustment. For the six months ended March 31, 2010, the aggregate contributing net profit from the regional joint ventures was US$4.8 million, representing a decrease of 14.1 million or 74.6% as compared with the six months ended March 31, 2009.

Under the initial recovery in the sportswear product retail industry in the first half of the financial year, we continue to improve operation excellence by rationalizing outlets distribution, optimizing inventory level and improve in-line products sell through ratio. We believe these will eventually create our long term sustainable core competence hence our margin would be improved.

REVENUE

Our revenue increased by 22.5% to US$654.2 million for the six months ended March 31, 2010 from US$533.9 million for the six months ended March 31, 2009. This increase was primarily due to the continuing growth in our retail, manufacturing and property leasing businesses, in which the growth in retail business included the acquisition of the entire equity interest in DZJ. Excluding such acquisition, the Group's revenue for the six months ended March 31, 2010 would have been US$535.2 million, representing an increase of 0.2% as compared with US$533.9 million for the six months ended March 31, 2009.

Retail Business

Revenue from our retail business increased by 31.9% to US$566.2 million for the six months ended March 31, 2010, from US$429.2 million for the six months ended March 31, 2009. This increase was primarily attributable to the acquisition of DZJ, and the reclassification of sales of Converse in the PRC as retail business.

Brand Licensee Business

Revenue from our brand licensee business decreased by 42.7% to US$23.8 million for the six months ended March 31, 2010, from US$41.5 million for the six months ended March 31, 2009, which was primarily due to (i) our exclusive brand licensee arrangement with Converse in the PRC expired on December 31, 2008, and such sales have been reclassified as retail business since January 1, 2009; and (ii) the Group's sales of licensee brands, being affected by the general economic and business environment, were slightly lower than our expectations.

Manufacturing Business

Revenue from our manufacturing business is flat, from US$59.1 million for the six months ended March 31, 2009 to US$59.4 million for the six months ended March 31, 2010. For the current period and the corresponding period of last year, the number of production lines both remained at 19 as the capacity utilization rate reached a full-blown status and the average selling price remained stable.

Property Leasing and Management Business

Revenue from our property leasing and management business increased by US$0.7 million to US$4.9 million for the six months ended March 31, 2010, from US$4.2 million for the six months ended March 31, 2009, which was mainly attributable to the influence of consolidating the financial statements of DZJ and the business environment in which the stores located were operating matured.

COST OF SALES

Our cost of sales was US$453.8 million for the six months ended March 31, 2010, compared with US$358.8 million for the six months ended March 31, 2009, representing an increase of 26.5%, a higher increase than that of the revenue. This was primarily due to higher markdowns of our products in order to increase the sales and liquidate excessive inventory under the prime objectives of accomplishing operation excellence.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the aforementioned changes, the Group's gross profit increased by 14.4% to US$200.4 million for the six months ended March 31, 2010, from US$175.1 million for the six months ended March 31, 2009, while the overall gross profit margin decreased to 30.6% for the six months ended March 31, 2010 as compared with 32.8% for the six months ended March 31, 2009. The decrease in gross profit margin was primarily due to higher markdowns taken to increase the product sales in retail business and the reduction of inventory. In addition, sales of Converse in the PRC transited into our retail business as exclusive distributor, the gross profit margin under which was lower than that under brand licensee business. The gross profit margins of the Group's retail business and brand licensee business for the six months ended March 31, 2010 were 30.1% and 43.5% respectively, while the gross profit margin of the manufacturing business kept stable continuously.

OTHER INCOME

The Group's other income was US$7.6 million for the six months ended March 31, 2010, as compared with US$7.3 million for the six months ended March 31, 2009.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the six months ended March 31, 2010 were US$190.0 million in total, representing an US$4.1 million, or 2.2% increase, as compared with US$185.9 million for the six months ended March 31, 2009. Due to the operating leverage over economy of scale, the percentage of sales under selling and distribution expenses and administrative expenses has decreased from 34.8% for the first half of financial year 2009 to 29.0% for the current period. The increase in expenses aforementioned was mainly attributable to: (i) the increase in sales and number of directly operated retail outlets that caused the increase of employee wages and lease payments as a result of acquisition of DZJ; (ii) more frequent promotions and mega sales organized under the objective of continuously inventory adjustment in retail business, which increased the expenses for relevant mall promotions; (iii) the amortization of intangible assets arising from the acquisition of DZJ; and (iv) increased inventory allowance, primarily due to the excessive allowance for existing inventory in accordance to the market condition.

EQUITY-SETTLED SHARE-BASED PAYMENTS

A summary of the principal terms and conditions of the Share Option Scheme (the "Scheme") which was approved by resolutions of the sole shareholder of the Company on May 14, 2008, is set out in the section headed "Share-Based Remuneration Scheme" in Appendix VIII to the Prospectus. The scheme aims at rewarding and encouraging participants who have contributed to or will contribute to the growth and development of the Group and encouraging participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. On this basis, on January 21, 2010, the Group granted to certain participants options to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company pursuant to the scheme at an exercise price of HK$1.62 per share, and the number of shares exercisable and subscribable pursuant to the options granted then was 64,500,000. The Group recognized an expense of US$0.41 million as equity-settled share-based payments for the six months ended March 31, 2010 with reference to the fair value of the options at the date of grant.

PROVISION FOR IMPAIRMENT LOSSES OF DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES

For the six months ended March 31, 2010, the impairment losses of approximately US$2.5 million have been made in respect of the Group's interests in two jointly controlled entities due to the expectation of loss arising from the anticipated disposals after the balance sheet date. Regarding the above two joint ventures, one of the joint ventures "Hubei Jiezhixing" has reached the definitive agreement of disposal with the Group (relevant details were set out in the Company's announcement and circular dated March 11, 2010 and March 31, 2010 respectively). At the date of this report, the transaction has not yet been completed.

In consideration of long-term interests and strategic deployment, the Group intends to dispose of it's interest in specific joint ventures continuously. At present, we are in discussion with certain joint venture partners about the possibility of disposal of the investment in such joint ventures.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value changes on derivative financial instruments were US$0.2 million for the six months ended March 31, 2010, as compared with US$0.1 million for the six months ended March 31, 2009.

INTERESTS ON BANK BORROWINGS WHOLLY REPAYABLE WITHIN FIVE YEARS

Our finance costs were US$6.3 million for the six months ended March 31, 2010, representing a decrease of 27.6% from US$8.7 million for the six months ended March 31, 2009, primarily as a result of a combination effect of decrease in the amount of the average monthly outstanding borrowings and the floating interest rates thereof remained stable during the period.

SHARE OF RESULTS OF ASSOCIATES

Our share of results of associates decreased to US$0.6 million for the six months ended March 31, 2010 from US$1.8 million for the six months ended March 31, 2009. Barring the influence of DZJ, the remaining share of results of associates effectively increased by 41.5% to US$0.6 million.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Our share of results of jointly controlled entities decreased by 76% to US$4.1 million for the six months ended March 31, 2010, from US$17.1 million for the six months ended March 31, 2009. Along with the slowdown in effectiveness associated with the channel expansion since last year, more efforts were made to fuel sales, intensify price markdown and reduce purchase volume, consequently the relevant operating expenses increased and the gross profit was dampened, resulting in decreased contributions.

PROFIT BEFORE TAXATION

The Group's profit before taxation of US$13.7 million for the six months ended March 31, 2010, representing an increase of 218.6% as compared with the profit of US$4.3 million for the six months ended March 31, 2009.

INCOME TAX EXPENSE

Our income tax expense was US$5.2 million for the six months ended March 31, 2010, representing an increase of 188.9% from US$1.8 million for the six months ended March 31, 2009, which was primarily due to the increase in profit before taxation in subsidiaries. Except for certain subsidiaries which enjoyed different preferential tax rate, a statutory tax rate of 25% applied to the rest of the Group in the PRC.

PROFIT FOR THE PERIOD

Our profit for the six months ended March 31, 2010 was US$8.5 million, representing an increase of US$6.0 million, or 240%, from profit of US$2.5 million for the six months ended March 31, 2009.

NON-CONTROLLING INTERESTS

Non-controlling interests were deficit of US$0.3 million for the six months ended March 31, 2010, representing a decrease of US$2.0 million from deficit of US$2.3 million for the six months ended March 31, 2009, which was primarily due to decreased losses of some of the non-wholly owned subsidiaries for the period as compared with the corresponding period of last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the six months ended March 31, 2010 and the fiscal year ended September 30, 2009 were 111.8 days and 127.5 days respectively. The decrease was primarily due to various continued measures taken by the Group in liquidating excess inventory started from the second half of 2009 that the inventory level is currently returned to a reasonable level.

The average trade receivables turnover days for the six months ended March 31, 2010 and the fiscal year ended September 30, 2009 were 32.1 days and 40.4 days respectively. Average trade receivables turnover days remained consistent with the credit terms of 30 to 45 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, 2010 and the fiscal year ended September 30, 2009 were 38.5 days and 49.4 days respectively. The average trade and bill payables turnover days decreased as a result of our strategic use of capital to match the cash rebate policy offered by the brand companies in exchange for quicker payment for merchandise.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents as at March 31, 2010 increased by 1.4% to US$182.3 million from US$179.8 million as at September 30, 2009. As at March 31, 2010, the working capital of the Group (current assets minus current liabilities) was US$272.4 million, representing an increase of 17.7% compared with US$231.4 million as at September 30, 2009.

As at March 31, 2010, the Group's current ratio was 169.9% as compared with 151.1% as at September 30, 2009, and the gearing ratio (total borrowings divided by total assets) was 22.6% as compared with 21.7% as at September 30, 2009.

The Group's bank borrowings consisted mainly of short term loans which roll over continuously upon maturity. As at March 31, 2010, our total bank borrowings increased by 2.0% to US$279.8 million from US$274.2 million as at September 30, 2009, of which US$232.2 million are repayable within one year and US$47.6 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.

For the six months ended March 31, 2010, net cash from operating activities was US$29.8 million, as compared with US$30.4 million for the six months ended March 31, 2009. We believe our liquidity requirement will be satisfied with a combination of the capital generated from operating activities and bank borrowings in the foreseeable future.

Net cash used in investing activities for the six months ended March 31, 2010 was US$26.2 million, as compared with US$46.4 million for the six months ended March 31, 2009. During the period, capital expenditure of US$9.5 million was used in the purchases of fixed assets, plant and equipment.

Net cash used in financing activities for the six months ended March 31, 2010 was US$1.3 million, as compared with US$18.9 million for the six months ended March 31, 2009. During the period, the Group had raised and repayment of bank borrowings of US$230.5 million and US$225.0 million respectively.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2010, the Group had capital commitments of US$2.2 million and US$1.5 million in respect of acquisition of property, plant and equipment and investments in jointly controlled entities respectively.

As at March 31, 2010, the Group had contingent liabilities of US$30.4 million in related to guarantee given to banks in respect of banking facilities granted to jointly controlled entities.

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, 2010, the Group had no significant hedges for the foreign exchange.

PROSPECTS

Currently, many data and indications illustrate that the macro economy is gradually recovering from its trough in 2009. However, concerns over inflation prevails despite that the economy of China maintains its momentum of high growth, which may affected marginal consumption powers and inclinations of consumers. Furthermore, lag effects as a result of the over heated expansion of sportswear retailing industry before and after the Olympics lead the overall industry to a stage of re-adjustment. As a leading sportswear retailer in the industry, the Group still needs to intensify its efforts and speed to reform, inter alia, its overall organization, constitution and business model, in order to secure its mid- to long-term core competitiveness. As such, 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, we will focus more on increasing productivity of existing outlets, such as innovative outlet model, as our major growth driver. Moreover, we will prudently expand new outlets and retail roadmap to maintain our economy of scale.

- We plan to enhance our operational efficiency by continuing the measures such as rationalizing outlets distribution, optimizing inventory level, improving in-line 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 of enriching its business portfolio and enhancing the growth niche of results in the future.

- We will continue to further develop our supply chain solutions with major brand companies, which can create initiative models that may improve operational efficiency, optimize inventory management and lower use of working capital during the relatively long operation cycle.

HUMAN RESOURCES

As at March 31, 2010, the Group had a total of 26,454 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 21, 2010, 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 scheme at an exercise price of HK$1.62 per share. The number of shares exercisable and subscribable pursuant to the options granted then was 64,500,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended March 31, 2010, 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, 2010.

The external auditor has reviewed the interim financial information for the six months ended March 31, 2010 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

For the six months ended March 31, 2010, 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 Listing Rules, except for deviation from provision A.2.1 of the Code as disclosed in the annual report 2009 of the Company.

After the resignation of Mr. Liu Wen Xin as Chief Executive Officer of the Company, Mr. Tsai David, Nai Fung, the Chairman of the Company, has assumed the role of acting Chief Executive Officer on June 19, 2009 on a temporary basis until Ms. Chang Karen Yi-Fen, the Chief Financial Officer of the Company and executive Director, was appointed as the new Chief Executive Officer of the Company with effect from January 1, 2010. As there was no segregation between the role of the Chairman and Chief Executive Officer of the Company during the period from June 19, 2009 to December 31, 2009, this constituted deviation from provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separated and should not be the same individual.

During the period of assuming the dual roles as Chairman and acting Chief Executive Officer of the Company by Mr. Tsai David, Nai Fung, an executive committee consisting of members of the management was formed to oversee different business segments of the Group. As the Chairman and acting Chief Executive Officer of the Company, Mr. Tsai David, Nai Fung was responsible for the Group's overall management and strategic planning, including sales and marketing activities and on a temporary basis overseeing the overall strategies, planning and day-to-day operation and management of the Group. Since it was on a temporary measure while the Company was actively searching for a replacement to fill in the permanent position of Chief Executive Officer who would be responsible for the day to day operation and management of the Group, the Board does not consider that this structure had impaired the balance of power and authority between the Board and the management of the Company given there is a division of responsibility for each of the individual business operations of the Group.

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, 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report 2010 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, June 15, 2010

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. Cheng Ming Fun Paul are the Independent Non-executive Directors.

Website: www.pousheng.com