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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, 2009
AND
RETIREMENT OF DIRECTORS

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended September 30,		Percentage increase
	2009	2008	**(decrease)**
Revenue *(US$'000)*	**1,142,293**	959,548	**19.1%**
(Loss) profit attributable to equity holders of the Company *(US$'000)*	**(3,696)**	70,024	**(105.3)%**
Basic (loss) earnings per share *(US cents)*	**(0.1)**	2.9	**(103.5)%**

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, 2009 with comparative figures for the corresponding period in 2008 as follows:

Consolidated Income Statement

For the year ended September 30, 2009

	NOTES	2009 US$'000	2008 US$'000
Revenue	3	**1,142,293**	959,548
Cost of sales		**(788,760)**	(615,184)
Gross profit		**353,533**	344,364
Other income		**17,753**	27,733
Selling and distribution expenses		**(280,328)**	(228,615)
Administrative expenses		**(83,157)**	(58,274)
Finance costs		**(15,557)**	(17,643)
Equity-settled share-based payments		**(12,521)**	(706)
Fair value changes on derivative financial instruments		**(4,423)**	8,945
Share of results of associates		**2,614**	7,987
Share of results of jointly controlled entities		**27,685**	23,304
Impairment losses of interest in jointly controlled entities		**(6,500)**	–
Listing expenses		**–**	(6,631)
(Loss) profit before taxation		**(901)**	100,464
Income tax expense	4	**(5,349)**	(20,763)
(Loss) profit for the year	5	**(6,250)**	79,701
Attributable to:			
Equity holders of the Company		**(3,696)**	70,024
Minority interests		**(2,554)**	9,677
		(6,250)	79,701
(Loss) earnings per share	6		
– basic		**US (0.1) cents**	US 2.9 cents
– diluted		**US (0.1) cents**	US 2.8 cents

Consolidated Balance Sheet

At September 30, 2009

	NOTES	2009 US$'000	2008 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**185,951**	169,564
Deposit paid for acquisition of property, plant and equipment		**4,436**	22,447
Prepaid lease payments		**36,985**	15,772
Rental deposits and prepayments		**29,455**	35,408
Intangible assets		**73,756**	–
Goodwill		**27,622**	2,101
Interests in associates		**8,099**	20,357
Loans to associates		**7,499**	7,304
Interests in jointly controlled entities		**77,794**	65,207
Loans to jointly controlled entities		**73,613**	75,604
Available-for-sale investment		**1,000**	–
Derivative financial instruments		**55,321**	59,744
Deferred tax assets		**1,215**	1,908
		582,746	475,416
CURRENT ASSETS			
Inventories		**300,447**	250,623
Trade and other receivables	7	**187,655**	217,485
Rental deposits and prepayments		**4,791**	5,855
Prepaid lease payments		**1,047**	482
Taxation recoverable		**761**	154
Amounts due from related parties		**9,225**	1,801
Pledged bank deposits		**–**	2,337
Bank balances and cash		**179,830**	183,253
		683,756	661,990

	NOTES	2009 US$'000	2008 US$'000
CURRENT LIABILITIES			
Trade and other payables	8	**189,095**	151,275
Taxation payable		**8,622**	6,728
Amounts due to related parties		**1,088**	1,919
Bank borrowings		**253,589**	306,288
		452,394	466,210
NET CURRENT ASSETS		**231,362**	195,780
TOTAL ASSETS LESS CURRENT LIABILITIES		**814,108**	671,196
NON-CURRENT LIABILITIES			
Bank borrowings		**20,652**	5,843
Deferred tax liabilities		**22,880**	3,044
		43,532	8,887
NET ASSETS		**770,576**	662,309
CAPITAL AND RESERVES			
Share capital		**5,504**	4,575
Reserves		**748,827**	641,141
Equity attributable to equity holders of the Company		**754,331**	645,716
Minority interests		**16,245**	16,593
TOTAL EQUITY		**770,576**	662,309

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company is Major Focus Management Limited, a private company incorporated in the British Virgin Islands. The Company's ultimate holding company is Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), an exempted company incorporated in Bermuda with limited liability and its shares are also listed on the Stock Exchange.

The principal operations of the Group are conducted in the People's Republic of China ("PRC"). The consolidated financial statements are presented in United States Dollar ("USD"), which is different from the functional currency of the Company, Renminbi ("RMB"). The Directors consider that presenting consolidated financial statements in USD is preferable when controlling and monitoring the performance and financial position of the Group and in reporting to Yue Yuen whose functional currency is USD.

The Company is an investment holding company. The principal activities of the Group are set out in Note 3.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers

In addition, the Group has already early adopted the amendments to HKAS 1 issued by HKICPA in 2008 as part of the Improvements to HKFRSs. The adoption of these new HKFRSs has resulted in changes to the Group's accounting policy described as below:

As part of Improvements to HKFRSs (2008), HKAS 1 "Presentation of Financial Statements" has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" should be presented as current or non-current. The amendment requires derivative financial instruments that are held primarily for trading purpose to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement dates. Prior to the amendment, the Group presented, as current, all derivative financial instruments (call options) for acquisition of additional interests in subsidiaries, associates and jointly controlled entities in accordance with

HKAS 39. The amendment has had no impact on the Group's results for the reported periods. The amendment has resulted in the derivative financial instruments with an aggregate carrying amount of US$59,744,000 as at October 1, 2008 being reclassified from current to non-current. In addition, at September 30, 2009, derivative financial instruments with an aggregate carrying amount of US$55,321,000 have been presented as non-current based on their maturity dates.

HK(IFRIC) - Int 13 "Customer Loyalty Programmes" affects the accounting of the customer award credits of the Group, YY Sports Membership Award Scheme, where credits awarded to sales is accounted for as a separately identifiable component of the sales transactions. The fair value of the consideration received or receivable is allocated between the award credits and the other components of the sale. The consideration allocated to the award credits is measured by reference to their fair values (i.e. the amount for which the award credits could be sold separately). Prior to the adoption of HK(IFRIC) - Int 13, the revenue is recognised in full and the customer award credits are expensed when the credits are redeemed. This change in accounting policy has been applied retrospectively and the adoption of HK(IFRIC) - Int 13 has had no material effect on the result and financial position of the Group for the current or prior periods.

The adoption of other new HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments) [1A]	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 (Amendment)	Classification of Right Issues[6]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[7]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[8]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[5]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[9]

[1] Effective for annual periods beginning on or after January 1, 2009 except for HKFRS 5, which is effective for annual periods beginning on or after July 1, 2009

[1A] Except for the amendments to HKAS 1, which has been early adopted during the year

[2] Effective for annual periods beginning on or after January 1, 2009, July 1, 2009 and January 1, 2010, as appropriate

[3] Effective for annual periods beginning on or after January 1, 2009

[4] Effective for annual periods beginning on or after January 1, 2011

[5] Effective for annual periods beginning on or after July 1, 2009

[6] Effective for annual periods beginning on or after February 1, 2010

[7] Effective for annual periods beginning on or after January 1, 2010

[8] Effective for annual periods beginning on or after January 1, 2013

[9] Effective for annual periods beginning on or after July 1, 2010

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition dates are on or after October 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from October 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from October 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material effect on the results and the financial position of the Group are prepared.

3. REVENUE AND SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organized into four operating divisions: (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").

These divisions are the basis on which the Group reports its primary segment information.

For the year ended September 30, 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	**120,510**	**954,938**	**60,601**	**6,244**	**–**	**1,142,293**
Inter-segment sales*	**–**	**–**	**11,447**	**2,753**	**(14,200)**	**–**
Total	**120,510**	**954,938**	**72,048**	**8,997**	**(14,200)**	**1,142,293**
RESULTS						
Segment results	**11,769**	**14,967**	**4,571**	**(17,367)**	**–**	**13,940**
Unallocated corporate income						**3,326**
Unallocated corporate expenses						**(9,465)**
Finance costs						**(15,557)**
Equity-settled share-based payments						**(12,521)**
Fair value changes on derivative financial instruments						**(4,423)**
Share of results of associates	**–**	**2,614**	**–**	**–**	**–**	**2,614**
Share of results of jointly controlled entities	**–**	**27,685**	**–**	**–**	**–**	**27,685**
Impairment losses of interests in jointly controlled entities	**–**	**(6,500)**	**–**	**–**	**–**	**(6,500)**
Loss before taxation						**(901)**
Income tax expense						**(5,349)**
Loss for the year						**(6,250)**

* Inter-segment sales are charged at prevailing market rates

For the year ended September 30, 2008

	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	107,835	667,276	181,715	2,722	–	959,548
Inter-segment sales*	–	–	56,489	–	(56,489)	–
Total	107,835	667,276	238,204	2,722	(56,489)	959,548
RESULTS						
Segment results	12,761	34,648	48,459	(5,448)	–	90,420
Unallocated corporate income						4,073
Unallocated corporate expenses						(9,285)
Finance costs						(17,643)
Equity-settled share-based payments						(706)
Fair value changes on derivative financial instruments						8,945
Share of results of associates	–	7,987	–	–	–	7,987
Share of results of jointly controlled entities	–	23,304	–	–	–	23,304
Listing expenses						(6,631)
Profit before taxation						100,464
Income tax expense						(20,763)
Profit for the year						79,701

* Inter-segment sales are charged at prevailing market rates

Geographical segments

Over 90% of the Group's revenue and results were derived from the PRC. Accordingly, no geographical segment analysis is presented for the year.

As at the balance sheet dates, over 90% of the identifiable assets of the Group were located in the PRC. Accordingly, no analysis of the carrying amount of segment assets or additions to property, plant and equipment and intangible assets is presented.

4. INCOME TAX EXPENSE

	2009	2008
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax :		
Hong Kong Profits Tax *(note (i))*	**399**	783
PRC Enterprise Income Tax ("EIT") *(note (ii))*	**4,091**	19,780
Overseas income tax *(note (iii))*	**812**	1,589
Under(over)provision in prior years:		
PRC EIT	**220**	(2,525)
	5,522	19,627
Deferred taxation	**(173)**	1,136
	5,349	20,763

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2008: 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 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 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 obtained 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.

(c) Pursuant to Income Tax Law of the PRC, Yue Sheng (Kunshan) Sports Goods Co. Ltd. ("Yue Sheng (Kunshan)"), a principal subsidiary of the Company operating in an approved economic and technology development zone of the PRC, was entitled to a preferential income tax rate of 15% before year 2008 and is exempted from 3% local income tax, when its annual revenue from manufacturing business exceeds 50% 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 rate of the entity that previously enjoyed the tax preferential treatment as set out in (c) above is to be increased progressively to 25% over a five year period. 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, the unutilised tax holiday are 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. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	US$'000	*US$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**10,347**	2,304
Retirement benefit scheme contributions, excluding directors	**8,528**	4,002
Equity-settled shares-based payments, excluding directors	**4,998**	338
Other staff costs	**114,129**	98,405
Total staff costs	**138,002**	105,049
Auditor's remuneration	**560**	560
Depreciation of property, plant and equipment	**33,461**	17,746
Release of prepaid lease payment	**827**	257
Amortisation of intangible assets	**1,152**	–
Loss on disposal of property, plant and equipment	**4,177**	766
Impairment loss recognised on trade receivables	**35**	85
Allowance for inventories	**3,795**	297
Costs of inventories recognised as an expense	**788,760**	615,184
Research and development expenditure recognised as an expense	**1,878**	1,867
Interest income from banks	**(1,415)**	(1,643)
Interest income from associates	**(49)**	(124)
Interest income from jointly controlled entities	**(1,862)**	(2,306)
Cash discounts from suppliers	**(4,361)**	(14,079)
Income from store displays and related items	**(285)**	(4,181)
Net exchange gain	**(1,423)**	(2,547)
Share of taxation of associates (included in share of results of associates)	**1,060**	2,053
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**9,349**	7,000

6. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	2009	2008
	US$'000	*US$'000*
(Loss) earnings:		
(Loss) profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	**(3,696)**	70,024

	2009	2008
Number of shares:		
Number of ordinary shares for the purpose of basic (loss) earnings per share	**3,726,010,762**	2,453,445,393
Effect of dilutive potential ordinary shares: Pre-IPO Share Subscription Plan	**–**	44,472,710
Number of ordinary shares for the purpose of diluted (loss) earnings per share	**3,726,010,762**	2,497,918,103

The weighted average number of shares for the year ended September 30, 2008 has been retrospectively adjusted for the effect of the Group reorganization and the capitalization of share premium in May 2008 as set out in the prospectus of the Company dated May 26, 2008.

The computation of diluted loss per share for the year ended September 30, 2009 does not assume the exercise of the Group's outstanding shares under the Pre-IPO Share Subscription Plan as the subscription price of those shares were higher than the average market price of the Company for the year prior to its termination on September 4, 2009.

7. TRADE AND OTHER RECEIVABLES

	2009	2008
	US$'000	*US$'000*
Trade receivables	**115,469**	137,664
Deposits, prepayments and other receivables	**72,186**	79,821
	187,655	217,485

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 payment due date, is as follows:

	2009	2008
	US$'000	*US$'000*
0 - 30 days	**108,283**	111,238
31 - 90 days	**5,897**	25,283
Over 90 days	**1,289**	1,143
	115,469	137,664

8. TRADE AND OTHER PAYABLES

	2009	2008
	US$'000	*US$'000*
Trade payables	**120,205**	92,498
Bills payables	**405**	518
Other payables	**68,485**	58,259
	189,095	151,275

The aged analysis of the Group's trade and bills payables is as follows:

	2009	2008
	US$'000	*US$'000*
0 – 30 days	**105,539**	82,005
31 – 90 days	**14,620**	9,166
Over 90 days	**451**	1,845
	120,610	93,016

FINAL DIVIDEND

The Directors do not propose any final dividend for the year ended September 30, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, February 26, 2010 to Wednesday, March 3, 2010, 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 3, 2010, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, February 25, 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 retail players. Those regional joint ventures operate their retail business under a model similar to ours. As at September 30, 2009, we had 2,377 directly operated retail outlets (including those acquired from the acquisition of Farsighted International Limited, the principal asset of which is the entire equity interest in Dalian Dongzhijie Sports Production Development Company ("DZJ"); and the details of the acquisition are disclosed in the announcements of the Company dated January 14, 2009 and July 3, 2009 and the circular of the Company dated February 4, 2009) and 2,913 retail sub-distributors (including those acquired from the abovementioned acquisition of Farsighted International Limited and those reclassified from the PRC Converse) and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 2,206 and 2,241 respectively. The operations of the Group and our regional joint ventures have spanned over substantially all 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 been officially expired on December 31, 2008 as disclosed in the prospectus of the Company dated May 26, 2008. Starting from January 1, 2009, we have become the exclusive distributor of Converse's products in the PRC until December 31, 2011. 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 eight brands at our Taicang factory, namely Li Ning, ANTA, XTEP, Umbro, Kappa, 361°, Lotto and Diadora.

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 acquires or leases retail stores in shopping malls at attractive locations which contain multiple brands in one single location. These shopping malls are decorated with the full "YY Sports Store" concept which are then sub-divided and leased to the Group's retail business 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 in order to achieve blueprint principles which lead the retailers. For the financial year ended September 30, 2009, the performances of most of the regional joint ventures were up to our expectations. The Group has commenced preliminary discussions with certain joint venture partners in relation to potential disposal of the Group's interests in such joint ventures. As at September 30, 2009, impairment losses have been made in respect of the Group's interests in certain joint ventures due to the expectation of loss arising from the anticipated disposals after the balance sheet date. In addition, in consideration of our objectives to expand the Group's retail geographical coverage and to diversify its brand portfolio in a long run, the Group has obtained a written shareholder's approval dated January 13, 2009 from Yue Yuen, its controlling shareholder, in lieu of holding a general meeting for the acquisition of 70% equity interest in Farsighted International Limited as mentioned above. The acquisition was completed on July 10, 2009, and the relevant financial results of Farsighted International Limited were consolidated into the Group's consolidated financial statements since July 10, 2009, and a revenue of US$61.9 million was recorded during the period. Besides, the Group has also commenced the integration of its frontline business (DZJ had 465 directly operated retail outlets and 779 retail sub-distributors as of September 30, 2009), brand relationship, back-end office and systems. We believe our objectives of acquisition could be achieved in a short term.

Financial Review

During the financial year ended September 30, 2009, we achieved revenue of US$1,142.3 million, and loss attributable to equity holders of the Company of US$3.7 million (including non-operational/one-off expenses and provision for impairment losses in total amount US$23.4 million), representing an increase and a decrease of 19.1% and 105.3% as compared to the financial year 2008 respectively. The Group's regional joint ventures performed up to our expectation and contributed net profit of US$30.3 million in aggregate for the financial year ended September 30, 2009, representing a decrease of 3.2% as compared to the financial year 2008. Despite the challenging operating environment during the year, we believe the prompt reactions taken to improve the quality of sales channels, days sales of inventory and cash flow instead of compromising for short term profitability will eventually benefit the Group and create competitive advantages as soon as the overall condition becomes stable.

REVENUE

Our consolidated revenue increased by 19.1% to US$1,142.3 million for the financial year ended September 30, 2009 from US$959.5 million for the financial year ended September 30, 2008. 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 70% equity interest in Farsighted International Limited. Excluding such acquisition, the Group's consolidated revenue for the financial year ended September 30, 2009 would have been US$1,080.4 million, representing an increase of 12.6% as compared to US$959.5 million for the financial year ended September 30, 2008.

Retail Business

Revenue from our retail business increased by 43.1% to US$954.9 million for the financial year ended September 30, 2009, from US$667.3 million for the financial year ended September 30, 2008. This increase was primarily attributable to factors such as the increase in the number of directly operated retail outlets, expansion of our sub-distributors network, and reclassification of sales of Converse in the PRC from brand licensee to retail business. In addition, the Group completed the acquisition of Farsighted International Limited on July 10, 2009 as mentioned above, and its financial results have been consolidated into the Group's consolidated financial statements since then.

Brand Licensee Business

Revenue from our brand licensee business decreased by 66.7% to US$60.6 million for the financial year ended September 30, 2009, from US$181.7 million for the financial year ended September 30, 2008, 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 lower than our expectations.

Manufacturing Business

Revenue from our manufacturing business increased by 11.8% to US$120.5 million for the financial year ended September 30, 2009, from US$107.8 million for the financial year ended September 30, 2008, which was primarily due to the enhancement of the production capacity of our Taicang factory as we increased the number of production lines from 18 to 19 during the period. Those production lines have been operating in full capacity during the financial year ended September 30, 2009. During the same period, the average sales price for our manufactured products remained relatively stable compared to the last financial year.

Property Leasing and Management Business

Revenue from our property leasing and management business increased by US$3.5 million to US$6.2 million for the financial year ended September 30, 2009, as compared to US$2.7 million for the financial year ended September 30, 2008, which was mainly attributable to the business environment in which the stores operate has become opportune.

COST OF SALES

Our cost of sales increased by 28.2% to US$788.8 million for the financial year ended September 30, 2009, from US$615.2 million for the financial year ended September 30, 2008, which represents a higher increase than that of the revenue. This was primarily due to higher markdowns of our products in order to increase sell-through and reduce the excess inventory level under the challenging business environment.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the aforementioned changes in cost of sales, the Group's gross profit increased by 2.6% to US$353.5 million for the financial year ended September 30, 2009, from US$ 344.4 million for the financial year ended September 30, 2008, while the overall gross profit margin decreased to 30.9% for the financial year ended September 30, 2009 as compared to 35.9% for the financial year ended September 30, 2008. The decrease in gross profit margin was primarily due to the lower gross profit margin both in our retail business and brand licensee businesses as a result of higher markdowns taken to increase product sell-through. In addition, sales of Converse in the PRC has transited into our retail business as exclusive wholesaler, the gross profit margin under which was lower than that under brand licensee business. The gross profit margin of the Group's retail business and brand licensee business for the financial year ended September 30, 2009 was 30.1% and 42.9% respectively, while the gross profit margin of the manufacturing business stayed relatively stable.

OTHER INCOME

The Group's other income was US$17.8 million for the financial year ended September 30, 2009, as compared to US$27.7 million for the financial year ended September 30, 2008.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the financial year ended September 30, 2009 were US$363.5 million in total, representing an increase of US$76.6 million, or 26.7%, as compared to US$286.9 million for the financial year ended September 30, 2008. The increase was due to: (i) operations and store expansion, which caused the average number of our retail outlets and offices increased as compared to last year; (ii) staff costs increased, primarily due to the increase in number of employees as a result of operations and store expansion, and more frequent promotion activities; (iii) depreciation and amortization expenses increased mainly as a result of the increase of related equipment and store fixture due to operations and store expansion; (iv) the one-off expenses incurred from closure of outlets, mainly attributable to closure or reorganization of non-profitable channels; (v) inventory allowances increased, primarily due to the allowance loss for inventory provided for in accordance to the market condition; and (vi) general expenses increased, primarily due to higher logistic, utilities and office expenses incurred as a result of our geographical and business expansion.

EQUITY-SETTLED SHARE-BASED PAYMENTS

During the financial year ended September 30, 2009, the Group incurred a one-off expense of US$12.5 million in relation to the termination of the Pre-IPO Share Subscription Plan (the "Plan"). Given that the Plan, which was approved by a resolution on May 14, 2008, was no longer attractive to the grantees under the Plan and may incur additional burden to the Company or the grantees, the Group agreed with those existing grantees to terminate all the outstanding subscriptions (details of which are set out in the Company's announcement dated September 4, 2009). Pursuant to the Hong Kong Financial Reporting Standards, the cancellation of the Plan during the vesting period is accounted for as an acceleration of vesting. The amount that would otherwise have been recognised for services received over the remainder of the vesting period is therefore recognised immediately. However, despite of the significant amount of such expenses, it had no influence on the Group's working capital.

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

For the financial year ended September 30, 2009, the impairment losses of approximately US$6.5 million have been made in respect of the Group's interests in certain jointly controlled entities due to the expectation of loss arising from the anticipated disposals after the balance sheet date.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value changes on derivative financial instruments were loss of US$4.4 million for the financial year ended September 30, 2009, turning around from gain of US$8.9 million for the financial year ended September 30, 2008, which were primarily affected by factors such as the general industrial environment and the timing factor of call options, resulting in a lowered aggregate value.

FINANCE COSTS

Our finance costs were US$15.6 million for the financial year ended September 30, 2009, representing a decrease of 11.4% from US$17.6 million for the financial year ended September 30, 2008, primarily as a result of a combination effect of a decrease in the amount of the average monthly outstanding borrowings for the financial year ended September 30, 2009 and the floating interest rates of the banking facilities remained stable during the year.

SHARE OF RESULTS OF ASSOCIATES

Our share of results of associates decreased to US$2.6 million for the financial year ended September 30, 2009 from US$8.0 million for the financial year ended September 30, 2008. The decrease was primarily due to the lower contribution from the associates invested by us. Under the same business environment as us, the associates have put more efforts to liquidate excessive inventories and taken higher markdowns than expected, and consequently, putting more pressure on gross profit.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Our share of results of jointly controlled entities increased by 18.9% to US$27.7 million for the financial year ended September 30, 2009, from US$23.3 million for the financial year ended September 30, 2008, primarily due to the increased contribution from the 13 jointly controlled entities invested by us. Benefited from their own cost structure, there was less pressure from the general business environment on those jointly controlled entities, and hence more contributions.

In addition, the Group reviews, on a regular basis, the operating strategies of the joint ventures. In certain circumstances, we may discuss with the related joint venture partners about the possibility of disposal of the Group's interests in such joint ventures. The Group is in a discussion with certain joint venture partners in this respect, but no final agreements have been reached during the financial year ended September 30, 2009 and up to the date of this report. Given our intention to dispose of such interests, appropriate impairment losses have been provided for in the financial statements for the financial year ended September 30, 2009.

(LOSS) PROFIT BEFORE TAXATION

As a result of the factors mentioned above, the Group recorded a loss before taxation of US$0.9 million, representing a decrease of 100.9% as compared to the profit of US$100.5 million for the financial year ended September 30, 2008.

INCOME TAX EXPENSES

Our taxation expense was US$5.3 million for the financial year ended September 30, 2009, representing a decrease of 74.5% from US$20.8 million for the financial year ended September 30, 2008, which was primarily due to a decrease in profit before taxation. Except for certain subsidiaries which enjoyed different preferential tax rate, a statutory tax rate of 25% applied to the rest of the Group.

(LOSS) PROFIT FOR THE YEAR

As a result of the above factors, our loss for the financial year ended September 30, 2009 was US$6.3 million, representing a decrease of US$86.0 million, or 107.9%, from profit of US$79.7 million for the financial year ended September 30, 2008.

MINORITY INTERESTS

Minority interests were deficit of US$2.6 million for the financial year ended September 30, 2009, representing a decrease of US$12.3 million from profit of US$9.7 million for the financial year ended September 30, 2008, which was primarily due to an increase in the losses generated by the non-wholly owned subsidiaries.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the financial year ended September 30, 2009 and 2008 were 127.5 days and 107.7 days respectively. The increase was primarily due to the excess inventory stock-up as a result of the deterioration of the general business environment, which we have been tackling proactively with remedial measures, and the inventory level may return to a reasonable level over period of time.

The average trade receivables turnover days for the financial year ended September 30, 2009 and 2008 were 40.4 days and 39.0 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 financial year ended September 30, 2009 and 2008 were 49.4 days and 51.7 days respectively. The average trade and bill payables turnover days decreased as a result of our proactive strategy 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 September 30, 2009 decreased by 1.9% to US$179.8 million from US$183.3 million as at September 30, 2008. As at September 30, 2009, the working capital of the Group was US$231.4 million, representing an increase from US$195.8 million as at September 30, 2008.

As at September 30, 2009, the Group's current ratio was 151.1%, as compared to 142.0% as at September 30, 2008, and the gearing ratio (total borrowings divided by total assets) was 21.7%, as compared to 27.4% as at September 30, 2008.

In accordance with the amendment to Hong Kong Accounting Standard 1 as part of the improvement of Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountant in 2008 and effective in 2009, the Group has made reclassification of derivative financial instrument from current asset to non-current asset. As such, the relevant financial information/ratios for the year ended September 30, 2008 aforementioned have been restated/recalculated accordingly.

The Group's total borrowings as at September 30, 2009 decreased by 12.1% to US$274.2 million from US$312.1 million as at September 30, 2008, primarily as a result of repayment of bank borrowings which were matured during the period without extension.

The maturity profile of bank borrowings spread over around a period of one year, with US$253.6 million payable within one year and US$20.6 million payable in more than one year but not exceed three years.

The Group's bank borrowings were denominated mainly in Renminbi and cash and cash equivalents were mainly held in Renminbi as well. The amount of borrowings at fixed interest rates amounted to US$5.9 million as at September 30, 2009.

Our borrowings consisted mainly of short term loans which generally mature within one year and roll over continuously. During the year, other than the offering of Shares for satisfying the cash portion of the Group's acquisition of Farsighted International Limited (details of the acquisition were disclosed in the Company's announcement dated January 14, 2009 and July 3, 2009 and the circular dated February 4, 2009), which was approved by Yue Yuen's written shareholder approval dated January 13, 2009 and was satisfied by the proceeds from a subscription of shares in the Company by Yue Yuen, we believe our liquidity requirement will be satisfied with a combination of the capital generated from operating activities and short term or long term borrowings for the foreseeable future.

For the financial year ended September 30, 2009, net cash inflow from operating activities was US$149.0 million, as compared to net cash outflow of US$139.9 million for the financial year ended September 30, 2008. The improvement of net operating cash inflow for the financial year ended September 30, 2009 reflected our efforts in reorganization of existing channels and liquidity of inventories, as well as the results of our stringent control on procurements.

Net cash used in investing activities during the financial year ended September 30, 2009 was US$98.3 million, as compared to US$134.9 million for the financial year ended September 30, 2008. During the period under review, the Group acquired 70% equity interest in Farsighted International Limited at a cash consideration of approximately US$55.0 million, and invested approximately US$29.1 million on purchases of property, plant and equipment.

Net cash outflow from financing activities during the financial year ended September 30, 2009 was US$52.6 million, as compared to an inflow of US$364.5 million for the financial year ended September 30, 2008. During the period under review, the Group had raised new bank borrowings of US$448.2 million and repaid bank borrowings of US$506.1 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at September 30, 2009, the Group had capital commitments of US$2.0 million, and US$1.5 million in respect of acquisition of property, plant and equipment and investments in jointly controlled entities respectively.

As at September 30, 2009, the Group had total contingent liabilities of US$34.8 million in respect of guarantee given to banks regarding the bank 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 September 30, 2009, the Group had no significant hedges for the foreign exchange.

PROSPECTS

Currently, many of the different data and indications illustrate that the macro economy is gradually recovering from its trough. However, as the performance of retail business is largely driven by consumer confidence, results in short term are likely to remain volatile until the population's consumption ability experiences a significant recover. Furthermore, due to accumulative over optimism on the post-Olympic industry outlook, the sportswear industry is encountering unprecedented challenge. As such, the Group will continue to act in accordance with its principle of prudence and implement the following strategies after taking into consideration of the general economic condition, industrial cycle 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 as our major growth driver in the near term. We will prudently expand new outlets to maintain our economy of scales.

- We plan to enhance our operational efficiency by exercising more cost controls, streamlining our organizational structure, and implementing new plans to improve its operating procedures.

- We will further enhance our procurement process enabling more sell-through in order to maintain healthy inventory level. 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 develop end-to-end supply chain solutions, which we believe can create initiative models that may improve operational efficiency, optimize inventory management and lower capital commitments during the relatively long industry cycle.

HUMAN RESOURCES

As at September 30, 2009, the Group had a total of 27,064 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 and medical coverage. The Group also offers training programs to employees based on their personal career development.

SHARE-BASED REMUNERATION SCHEMES

The sole shareholder of the Company approved by resolution on May 14, 2008 the Plan and a share option scheme, details of the principal terms and conditions of which were summarized in the section headed "Share-Based Remuneration Scheme" in Appendix VIII to the Prospectus. Apart from the two plans mentioned above, no invitations have been made. Three of the eleven grantees under the Plan ceased to be grantees as they left the employment of the Group and accordingly their subscription rights automatically lapsed. On September 4, 2009, the Group agreed with the remaining eight grantees to terminate all the existing outstanding subscriptions and released each other from their respective obligations under the subscriptions. Prior to the termination of the Plan, no subscription was made by any eligible participant. The Company will consider other share based incentive programs which are more appropriate in the current circumstances.

RETIREMENT OF DIRECTORS

In accordance with bye-law 87 of the Company's bye-laws, Mr. Lee Chung Wen ("Mr. Lee") and Mr. Huang Chun Hua ("Mr. Huang") will retire by rotation at the forthcoming annual general meeting to be held on 3 March 2010, and being eligible, Mr. Lee and Mr. Huang will not offer themselves for re-election due to their other personal commitments. Further details of the proposed re-election of retiring directors will be disclosed in our circular to be depatched to all shareholders of the Company together with the annual report of the Company for the year ended 30 September 2009 ("Annual Report 2009") in due course.

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, 2009, 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"), except for deviation from provision A.2.1 of the Code.

After the resigning of Mr. Liu Wen Xin as Chief Executive Officer of the Company, Mr. Tsai David, Nai Fung, the Chairman of the Company, 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. Ms. Chang Karen Yi-Fen, the Chief Financial Officer of the Company, was the acting head of the executive committee reporting to Mr. Tsai David, Nai Fung directly. 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") 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, 2009.

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 2009 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 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, January 20, 2010

As at the date this announcement, Mr. Tsai David, Nai Fung (Chairman and Non-executive Director); Ms. Chang Karen Yi-Fen (Chief Executive Officer), Mr. Lee Chung Wen, Mr. Huang Chun Hua, and Mr. Lu Ning are the Executive Directors; 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