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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, 2009

GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended March 31,		**Percentage Increase**
	2009	2008	**(decrease)**
Revenue *(US$'000)*	**533,895**	419,627	**27.2**
Profit attributable to equity holders of the Company *(US$'000)*	**4,784**	34,062	**(86.0)**
Basic earnings per share *(US cents)*	**0.13**	1.80	**(92.8)**
Dividend per share – Interim *(US cents)*	**–**	–	**–**

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

Condensed Consolidated Income Statement

For the six months ended March 31, 2009

		For the six months ended March 31,	
		2009	2008
	NOTES	***US$'000***	*US$'000*
		(unaudited)	*(unaudited)*
Revenue	3	**533,895**	419,627
Cost of sales		**(358,750)**	(261,965)
Gross profit		**175,145**	157,662
Other income		**7,312**	15,597
Selling and distribution expenses		**(142,136)**	(103,503)
Administrative expenses		**(46,370)**	(31,171)
Fair value changes on derivative financial instruments		**69**	8,011
Interests on bank borrowings wholly repayable within five years		**(8,658)**	(8,416)
Share of results of associates		**1,799**	2,616
Share of results of jointly controlled entities		**17,138**	9,294
Profit before taxation		**4,299**	50,090
Income tax expense	4	**(1,849)**	(9,591)
Profit for the period	5	**2,450**	40,499
Attributable to:			
Equity holders of the Company		**4,784**	34,062
Minority interests		**(2,334)**	6,437
		2,450	40,499
Earnings per share			
– Basic	6	**US0.13 cents**	US1.80 cents
– Diluted		**US0.13 cents**	N/A

Condensed Consolidated Balance Sheet

At March 31, 2009

	NOTE	At March 31, 2009 (unaudited) US$'000	At September 30, 2008 (audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**202,203**	169,564
Deposit for acquisition of property, plant and equipment		**10,807**	22,447
Prepaid lease payments		**15,574**	15,772
Goodwill		**2,101**	2,101
Interests in associates		**21,801**	20,357
Loan to an associate		**18,164**	7,304
Interests in jointly controlled entities		**73,714**	65,207
Loans to jointly controlled entities		**74,977**	75,604
Available-for-sale investment		**1,000**	–
Rental deposits and prepayments		**32,266**	35,408
Deferred tax assets		**3,292**	1,908
		455,899	415,672
CURRENT ASSETS			
Inventories		**254,143**	250,623
Trade and other receivables	7	**194,786**	217,485
Rental deposits and prepayments		**4,803**	5,855
Prepaid lease payments		**482**	482
Taxation recoverable		**33**	154
Derivative financial instruments		**59,813**	59,744
Amounts due from jointly controlled entities		**8,828**	–
Amount due from a minority shareholder of a subsidiary		**–**	1,801
Pledged bank deposits		**–**	2,337
Bank balances and cash		**148,614**	183,253
		671,502	721,734

At March 31, 2009

	NOTE	At March 31, 2009 (unaudited) US$'000	At September 30, 2008 (audited) US$'000
CURRENT LIABILITIES			
Trade and other payables	8	**144,264**	151,275
Taxation payable		**5,744**	6,728
Amounts due to minority shareholders of subsidiaries		**1,234**	1,919
Bank borrowings		**297,568**	306,288
		448,810	466,210
NET CURRENT ASSETS		**222,692**	255,524
TOTAL ASSETS LESS CURRENT LIABILITIES		**678,591**	671,196
NON-CURRENT LIABILITIES			
Bank borrowings		**4,681**	5,843
Deferred tax liabilities		**3,463**	3,044
		8,144	8,887
NET ASSETS		**670,447**	662,309
CAPITAL AND RESERVES			
Share capital		**4,575**	4,575
Reserves		**649,620**	641,141
Equity attributable to equity holders of the Company		**654,195**	645,716
Minority interests		**16,252**	16,593
TOTAL EQUITY		**670,447**	662,309

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 accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group's financial statements for the year ended September 30, 2008.

In the current interim period, the Group has applied, for the first time, new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on October 1, 2008.

The adoption of HK(IFRIC) – Int 13 and 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.

3. REVENUE AND SEGMENTAL INFORMATION

Business segment

For management purposes, the Group is currently organised into the following 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 of which the Group reports its primary segment information.

For the six months ended March 31, 2009

	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	**59,111**	**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 corporate income						**2,045**
Unallocated corporate expenses						**(8,379)**
Fair value changes on derivative financial instruments						**69**
Interest on bank borrowings wholly repayable within five years						**(8,658)**
Share of results of associates	**–**	**1,799**	**–**	**–**	**–**	**1,799**
Share of results of jointly controlled entities	**–**	**17,138**	**–**	**–**	**–**	**17,138**
Profit before taxation						**4,299**
Income tax expense						**(1,849)**
Profit for the period						**2,450**

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

For the six months ended March 31, 2008

	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	48,140	279,163	91,423	901	–	419,627
Inter-segment sales*	–	–	14,504	–	(14,504)	–
Total	48,140	279,163	105,927	901	(14,504)	419,627
RESULTS						
Segment results	5,553	16,641	19,536	(1,644)	–	40,086
Unallocated corporate income						1,395
Unallocated corporate expenses						(2,896)
Fair value changes on derivative financial instruments						8,011
Interest on bank borrowings wholly repayable within five years						(8,416)
Share of results of associates	–	2,616	–	–	–	2,616
Share of results of jointly controlled entities	–	9,294	–	–	–	9,294
Profit before taxation						50,090
Income tax expense						(9,591)
Profit for the period						40,499

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

4. INCOME TAX EXPENSE

	For the six months ended March 31,	
	2009	2008
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Profits Tax:		
Hong Kong Profits Tax *(note i)*	**227**	485
The People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT") *(note ii)*	**2,113**	8,073
Overseas income tax *(note iii)*	**474**	1,033
	2,814	9,591
Deferred tax credit	**(965)**	–
	1,849	9,591

notes:

(i) Hong Kong

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced Hong Kong Profits Tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended March 31, 2009. The tax rate used is 16.5% (2008: 17.5%) for the six months ended March 31, 2009.

(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.

(c) Pursuant to Income Tax Law of the PRC, Yue Sheng (Kunshan) Sports Goods Co. Ltd., a principal subsidiary of the Company operating in an approved economic and technology development zone of the PRC, is entitled to a preferential income tax rate of 15% 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. Continuance of this preferential rate is subject to annual confirmation from the local tax bureau.

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 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,	
	2009	2008
	US$'000	*US$'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**16,577**	8,019
Release of prepaid lease payment	**218**	47
Research and development expenditure	**867**	1,106
Impairment loss recognised on trade receivables	**164**	437
Allowance for inventories	**1,673**	1,583

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,	
	2009	2008
	US$'000	*US$'000*
Earnings:		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**4,784**	34,062

	For the six months ended March 31,	
	2009	2008
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**3,567,559,000**	1,894,268,550
Effect of dilutive potential ordinary shares: Pre-IPO share subscription plan	**124,252,000**	N/A
Number of ordinary shares for the purpose of diluted earnings per share	**3,691,811,000**	N/A

The weighted average number of shares for the period ended March 31, 2008 have been retrospectively adjusted for the effect of the group reorganisation and the capitalisation of share premium in May 2008 as set out in the prospectus of the Company dated May 26, 2008 (the "Prospectus").

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 90 days which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US$105,591,000 (September 30, 2008: US$137,664,000) and an aged analysis is as follows:

	At March 31, 2009	At September 30, 2008
	US$'000	*US$'000*
0 – 30 days	**89,045**	111,238
31 – 90 days	**14,470**	25,283
Over 90 days	**2,076**	1,143
	105,591	137,664

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$87,327,000 (September 30, 2008: US$93,016,000) and an aged analysis is as follows:

	At March 31, 2009	At September 30, 2008
	US$'000	*US$'000*
0 – 30 days	**48,005**	82,005
31 – 90 days	**28,311**	9,166
Over 90 days	**11,011**	1,845
	87,327	93,016

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended March 31, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Highlights

When compared to the six months ended March 31, 2008:

- Revenue increased by 27.2% to US$533.9 million
- Gross profit increased by 11.0% to US$175.1 million
- Selling and distribution expenses increased by 37.3% to US $142.1 million
- Profits attributable to equity holder of the Company (excluding fair value changes on derivative financial instruments) decreased by 82.0% to US$4.7 million

Business Overview

The six months ended March 31, 2009 was a period of severe environment full with challenges. The sportswear industry in PRC has experienced the accelerated global financial crisis combined with the post-Olympic slow-down. All of these incidents impacted the general consumer spending sentiment negatively in the PRC which resulted in excess inventory and fierce price competitions. Under such an environment, in order to strengthen core competence of the Group in the long run, we inevitably took managerial decisions such as reorganizing the non-profitable channels or liquidating excess inventory at higher discounts, of which sacrificed the short-term profit margins and resulted in our performance below expectations. However, the total demand of sportswear in China is still growing driven by low penetration rate of sportswear industry, rising disposable income per capita and increasing popularity of sports, among others. We believe the performance at the retail level, being largely sentiment driven, could remain volatile in the near term. However, as a leading sportswear retailer in the PRC, we believe we are well positioned to capture this market opportunity to increase our competence and profitability by strengthening operation efficiency and further optimizing the management of our vast store. Our prompt reactions to the business environment, coupled with the improving economy, will eventually benefit us and create competitive advantage in the near future.

As at March 31, 2009, we together with our regional joint ventures, operated a total of 4,885 directly operated retail outlets across almost every province in the PRC. As at March 31, 2009, we have successfully integrated our POS system with over 90% of the retail outlets directly operated by our regional joint ventures and our financial management systems with 18 out of 19 our regional joint ventures and non-wholly owned subsidiaries.

For our retail business, we distribute a wide range of sportswear products including footwear, apparel and accessories for some of the leading international and domestic sportswear brands to the end customers through our directly operated retail outlets, and also to retail sub-distributors on a wholesale basis, which in turn sell the products through their retail outlets under our supervision. As at March 31, 2009, the number of retail outlets operated by our retail sub-distributors including the outlet reclassified from the PRC converse and our regional joint ventures' retail sub-distributors amounted to 2,267 and 2,800 respectively.

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 partners whom we believe are leading retail players in their respective regional markets. Our regional joint ventures operate their retail business under a model similar to ours.

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely 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 the retail price 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 terminated on December 31, 2008 as disclosed in Prospectus. 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 for six brands at our Taicang factory, namely Li Ning, ANTA, Umbro, Kappa, 361°, and Diadora, solely for sale to our OEM/ODM customers. The production capacity of our Taicang factory increased from 18 production lines as at September 30, 2008 to 19 production lines as at March 31, 2009.

To further support our retail network expansion and the promotion of our "YY Sports" branding, our property leasing and management business has a dedicated unit that acquires or leases larger scale retail spaces at attractive locations. These are decorated with the full "YY Sports Store" concept which are then sub-divided and leased to us or third party retail distributors.

As we are undergoing the process of integrating our regional joint ventures, we have been closely monitoring their operational and financial performance. For the six months ended March 31, 2009, our regional joint ventures taken in aggregate have performed to our expectations. We have continued to maximize our returns from our regional joint ventures by implementing our IT system and introducing our best management practices to them.

Financial Review

During the six months ended March 31, 2009, we achieved revenue of US$533.9 million, and net profit before minority interests (excluding fair value changes on derivative financial instruments) of US$4.7 million, representing growth rate and decrease rate of 27.2% and 82.0% from the six months ended March 31, 2008 respectively. Our regional joint ventures performed to our expectation and contributed total net profit of US$18.9 million for the six months ended March 31, 2009, representing growth rate of 58.8% from the six months ended March 31, 2008. Despite the challenging operating environment, we believe the prompt reactions on improving the quality of channels and inventory level instead of compromising for short term profitability will eventually benefit us and create competitive advantage in the near future.

REVENUE

Our combined revenue increased by 27.2% to US$533.9 million for the six months ended March 31, 2009, from US$419.6 million for the six months ended March 31, 2008. This increase was primarily due to the continuing growth of our retail, manufacturing and property leasing businesses.

Retail Business

Revenue from our retail business increased by 53.7% to US$429.2 million for the six months ended March 31, 2009, from US$279.2 million for the six months ended March 31, 2008. This increase was primarily due to the increase in the number of directly operated retail outlets, expansion on our sub-distributor network, and reclassification of US$29.4 million for sales of Converse in the PRC as the exclusive distributor from brand licensee to retail business since January 1, of 2009. Excluding the reclassification of PRC Converse sales, revenue from our retail business would have increased by a lesser rate of 43.2% from US$279.2 million for the six months ended March 31, 2008 to US$399.8 million for the six months ended March 31, 2009.

The number of our directly operated retail outlets increased by 368 from 1,694 as at March 31, 2008 to 2,062 as at March 31, 2009. As for our sub-distributor network, it increased by 1,558 from 709 as at March 31, 2008 to 2,267 as at March 31, 2009. Amongst these increases, 299 and 1,259 were from organic growth and reclassification of outlets for Converse respectively.

Brand Licensee Business

Revenue from our brand licensee business decreased by 54.6% to US$41.5 million for the six months ended March 31, 2009, from US$91.4 million for the six months ended March 31, 2008. This decrease was primarily due to (i) the expiry of our exclusive brand licensee arrangement with Converse in the PRC as of December 31, 2008 and; (ii) the lower than expected sales to the retailer customers. Since January 1, 2009, we have become the exclusive distributor of Converse products in the PRC. The revenue which was previously classified under our brand licensee business has since then been reclassified under our retail business. Had the accounting reclassification not taken

place, revenue from our brand licensee business would have decreased by a lesser degree of 22.4 % from US$91.4 million for the six months ended March 31, 2008 to US$70.9 million for the six months ended March 31, 2009.

Manufacturing Business

Revenue from our manufacturing business increased by 22.9% to US$59.1 million for the six months ended March 31, 2009, from US$48.1 million for the six months ended March 31, 2008. This increase was primarily due to the increase in the production capacity of our Taicang factory as we increased the number of production lines from 15 to 19 during the period. Our Taicang factory has operated close to full capacity for the six months ended March 31, 2009. During the same period, the average sales prices 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$3.3 million to US$ 4.2 million for the six months ended March 31, 2009, from US$0.9 million for the six months ended March 31, 2008. We established this business in December 2006 to complement the variety of our retail channels.

COST OF SALES

Our cost of sales increased by 36.9% to US$358.8 million for the six months ended March 31, 2009, from US$262.0 million for the six months ended March 31, 2008 which represents higher increase rate than that of the revenue increase. This was primarily due to higher sales discounts to the end customers in order to increase sell-through and reduce excess inventory level. In line with industry practice, from October 1, 2008, we have reclassified the amount of supplier rebate from other income as a deduction item of cost of sales, which was US$10.5 million or 2.9% of cost of sales for the six months ended March 31, 2009.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the factors listed above, our gross profit increased by 11.0% to US$175.1 million for the six months ended March 31, 2009, from US$157.7 million for the six months ended March 31, 2008. Our overall gross profit margin decreased to 32.8% for the six months ended March 31, 2009 as compared to 37.6% for the six months ended March 31, 2008. The decrease in gross profit margin was primarily due to the lower gross profit margin both in our retail business and brand licensee business as a result of higher discount offered to increase product sell-through and the impact on Converse transition to become a sole distributor. The decrease of overall gross profit margin was partially offset by the reclassification of the amount of supplier rebate. The gross profit margins of our retail business and brand licensee business for the six months ended March 31, 2009 were 31.7% and 43.5%, respectively.

OTHER INCOME

Our other income was US$7.3 million for the six months ended March 31, 2009, representing an decrease of US$8.3 million, or 53.2%, from US$15.6 million for the six months ended March 31, 2008. Our other income decreased primarily due to the reclassification of supplier rebate from other income to cost of sales, which was US$10.5 million for the six months ended March 31, 2009.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses were US$142.1 million for the six months ended March 31, 2009, representing an increase of US$38.6 million or 37.3 % from US$103.5 million for the six months ended March 31, 2008. The increase was due to: (i) rental and concession expenses, which increased by US$23.5 million or 52.9% to US$67.9 million, primarily due to the increase in number of our retail outlets compared to the last corresponding period; (ii) staff costs, which increased by US$9.2 million or 46.0% to US$29.2 million, primarily due to the increase in number of employees as the result of store expansion and selling bonus due to more frequent promotions activities; (iii) depreciation and amortization, which increased by US$5.4 million to US$12.0 million, mainly as a result of the higher number of retail outlets and store fixture; (iv) shopping mall expense, which increased by US$4.0 million to US$7.6 million, primarily due to more expenses paid or shared with the shopping malls or department stores under promotion and clean-up sales; and (v) general expenses, which increased by US$4.6 million to US$15.2 million, primarily due to higher logistic, utilities and office expenses incurred as a result of our geographical and business expansion.

ADMINISTRATIVE EXPENSES

Our administrative expenses were US$46.4 million for the six months ended March 31, 2009, representing an increase of US$15.2 million or 48.7 % from US$31.2 million for the six months ended March 31, 2008. The increase was primarily due to (i) an increase of US$6.3 million, or 40.1% in staff cost, primarily due to the increase in number of employees which resulted in higher salary expense as well as social securities provision and the increase of the Equity-settled share-based payment amortized from the Pre-IPO Share Subscription Plan which was conditionally approved by resolutions of the sole shareholder of the Company on May 14, 2008; (ii) an increase of US$2.9 million, or 29.3% in general expenses, primarily due to increase in freight, travel and utilities expense given to our expanded business and geographic coverage; (iii) an increase of US$1.2 million to US$3.3 million in corporate rental expenses; primarily due to our geographical expansion; (iv) an increase of US$2.6 million in loss on disposal of property, plant and equipment; primarily due to reorganizing the non-profitable channels; and (v) an increase of US$1.3 million to US$2.8 million in depreciation and amortization, primarily due to the increase in the number of office facilities and fixtures as a result of geographical and business expansion.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value changes on derivative financial instruments were US$0.1 million for the six months ended March 31, 2009, decreasing from US$8.0 million for the six months ended March 31, 2008 primarily due to the change on general business environment. As at March 31, 2009, we had entered into call option agreements with our partners in 15 regional joint ventures and with the minority shareholders of three of our non-wholly owned subsidiaries.

INTEREST ON BANK BORROWINGS WHOLLY REPAYABLE WITHIN FIVE YEARS

Our finance costs were US$8.7 million for the six months ended March 31, 2009, representing a nearly flat increase of 3.6% from US$8.4 million for the six months ended March 31, 2008, primarily as a result of a combination effect of a decrease in the amount of the average monthly outstanding borrowings for the six months ended March 31, 2009 and the higher floating interest rate charged by the banks.

SHARE OF RESULTS OF ASSOCIATES

Our share of results of associates decreased to US$1.8 million for the six months ended March 31, 2009, from US$2.6 million for the six months ended March 31, 2008. The decrease was primarily due to the lower contribution from two associates that we invested in late 2006 and 2007 which offered higher than expected selling discounts in order to liquidate excessive inventories and hence putting more pressure on gross profit margin.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

Our share of results of jointly controlled entities increased to US$17.1 million for the six months ended March 31, 2009, from US$9.3 million for the six months ended March 31, 2008. The increase was primarily due to the increased contribution from our 13 jointly controlled entities invested by us.

PROFIT BEFORE TAXATION

As a result of the factors listed above, our profit before taxation decreased by 91.4% to US$4.3 million for the six months ended March 31, 2009, from US$50.1 million for the six months ended March 31, 2008.

TAXATION

Our taxation expense was US$1.8 million for the six months ended March 31, 2009, representing a decrease of 81.3%, from US$9.6 million for the six months ended March 31, 2008, which was primarily due to a decrease in profit before taxation.

PROFIT FOR THE PERIOD

As a result of the above factors, our profit for the six months ended March 31, 2009 was US$2.5 million, representing a decrease of US$38.0 million, or 93.8%, from US$40.5 million for the six months ended March 31, 2008.

MINORITY INTERESTS

Minority interests were deficit of US$2.3 million for the six months ended March 31, 2009, representing a decrease of US$8.7 million from profit of US$6.4 million for the six months ended March 31, 2008 which was primarily due to increase in the incurred losses generated by non-wholly owned subsidiaries.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF OUR COMPANY

Our profit attributable to equity holders of the Company was US$4.8 million for the six months ended March 31, 2009, representing a decrease of US$29.3 million, or 85.9%, from US$34.1 million for the six months ended March 31, 2008

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the six months ended March 31, 2009 and financial year ended September 30, 2008 were 128.4 days and 107.7 days respectively. The increase was primarily due to the excess inventory stock-up as a result of the worsening of the general business environment, which we are taking remedial measures to tackle and may require more time before inventory level can return to a reasonable level.

The average trade receivables turnover days for the six months ended March 31, 2009 and financial year ended September 30, 2008 were 41.6 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 six months ended March 31, 2009 and financial year ended September 30, 2008 were 45.9 days and 51.7 days respectively. 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 March 31, 2009 decreased 18.9 % to US$148.6 million from US$183.3 million as at September 30, 2008. As at March 31, 2009, the working capital of the Group was US$222.7 million, representing a decrease from US$255.5 million as at September 30, 2008.

As at March 31, 2009, the Group's current ratio was 149.6%, compared to 154.8% as at September 30, 2008 and gearing ratio (total borrowings divided by total assets) was 26.8%, compared to 27.4% as at September 30, 2008.

The Group's total borrowings as at March 31, 2009 decreased by 3.2% to US$302.2 million from US$312.1 million as at September 30, 2008, primarily as a result of repayment on bank borrowing which was matured during the period and not extended.

The maturity profile of bank borrowings spread over around a period of one year, with US$297.6 million payable within one year and US$4.7 million payable in more than one year but not exceed five 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$11.0 million as at March 31, 2009.

Our borrowing was mainly for short term loan and generally matured within one year and rolled over continuously. Other than the funding of the cash portion of the Group's acquisition of the Farsighted International Limited, which principal asset is the entire equity interest in Dalian Dongzhijie Sports Production Development Company (the details of which were disclosed in the Company's announcement dated January 15, 2009 and circular dated February 4, 2009), which was approved by Yue Yuen by obtaining its written shareholder's approval dated January 13, 2009 and is expected to be satisfied by the proceeds from a subscription of shares in the Company by Yue Yuen, we believe our liquidity requirement will be satisfied using a combination of the proceeds raised from the global offering, the cash provided by the operating activities and short term or long term borrowings for the foreseeable future.

For the six months ended March 31, 2009, net cash inflow from operating activities was US$30.4 million, as compared to net cash outflow of US$109.8 million for the six months ended March 31, 2008. The improvement of net operating cash inflow for the six months ended March 31, 2009 was primarily due to the implementation on the inventory control and channel organization plan which continuously focused on improving the quality of existing channels and enhancing the liquidity of our inventory.

Net cash used in investing activities during the six months ended March 31, 2009 was US$46.4 million, as compared to US$64.0 million for the six months ended March 31, 2008. During the period under review, the Group invested approximately US$37.9 million on purchases of property, plant and equipment, and made advance of US$10.8 million to an associate.

Net cash outflow from financing activities during the six months ended March 31, 2009 was US$18.9 million compared to an inflow of US$236.4 million for the six months ended March 31, 2008. During the period under review, the Group had raised bank borrowings of US$141.1 million and repaid bank borrowings of US$151.3 million.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2009, the Group had total capital commitments of US$3.4 million, US$4.9 million and US$1.5 million in respect of acquisition of property, plant and equipment, investment in associates and jointly controlled entities respectively.

As at March 31, 2009, the Group had total contingent liabilities of US$33.8 million in respect of guarantee given to banks regarding bank facilities granted to jointly controlled entities.

FOREIGN EXCHANGE

The Group conducts its businesses primarily in the PRC with most of our transactions denominated and settled in Renminbi. An appreciation or depreciation may cause an inflation and deflation of the US dollar translation in our financial statements as we use US dollars as our reporting currency. As at March 31, 2009, the Group had no significant hedge on the foreign exchange.

Prospects

We aim to strengthen our position as a leading sportswear retailer in the PRC by implementing the following strategies.

CONTINUED IMPROVEMENT ON THE EXISTING OPERATION EFFICIENCY, INVENTORY MANAGEMENT, QUALITY OF OUR RETAIL NETWORK AND BRAND PORTFOLIO

To focus on improving the operating efficiency, we will control selling and distribution expenses tightly by focusing on evaluating the productivity of each outlet by the measure of sales per square meter and same store sales growth. We will also implement stricter store expansion policy to better control upfront capital expenditures. Besides, we also understand the importance of the inventory and liquidity management hence we will continuously optimize the management of our inventory level and merchandising strategy by placing sensible order volumes and executing maximal sell through.

We have call options arrangements in 15 of our regional joint ventures and 3 of our non-wholly owned subsidiaries that give us the right to acquire the entire remaining interests in these companies and therefore obtain control over these companies. We keep these call option arrangements under regular review and will only exercise those call options to acquire the remaining interests in those leading regional retailers that we believe the decision will bring the best benefit to our shareholders.

We also plan to increase the number and diversity of the brands and product lines that we carry to better address the preferences of our customers, enhance our competitiveness and increase the attractiveness of our sports complexes.

CONTINUED DEVELOPMENT OF AN END-TO-END SUPPLY CHAIN SOLUTION

Combining our powerful in-house IT capabilities, our retail network, and our manufacturing facilities in Taicang, our vision is to develop an end-to-end supply chain solution which we believe can lay the foundation for us to improve operational efficiency, optimize the management of inventory levels, lower capital commitments, minimize sales discounts and hence maximize profitability. We are currently testing the end-to-end supply chain solution with selected brand companies.

Human Resources

As at March 31, 2009, the Group had a total of 24,553 employees. We review the performance of our employees periodically and will consider them in annual salary review and promotional appraisals. In order to remain competitive in the labor market, we also conduct research on remuneration packages which are offered by other companies in the same industry. For our senior management, we reward our senior management with annual bonuses based on various performance criteria. As a part of our remuneration policies of our senior management, we have in place two share-based remuneration schemes, the principal terms of which have been set out in the Prospectus. In addition, we also provide other benefits such as mandatory retirement funds, insurance and medical coverage. The Group also offers training programs to its employees based on their personal career development.

Share-Based Remuneration Schemes

A summary of the principal terms and conditions of the Pre-IPO Share Subscription Plan and the Share Option Scheme, which were 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. As at March 31, 2009, no option has been granted under the Share Option Scheme. All invitations made and accepted under the Pre-IPO Share Subscription Plan were disclosed in the Prospectus. No further invitations have been made. In addition, as disclosed in the Company's announcement dated June 8, 2009, the deadline for the first year subscription of shares has expired and no subscriptions have been made by the eligible participant of the subscription rights. The board of Directors has decided not to enforce these subscriptions in light of the performance of the share price of the Company and is also considering other share based incentive programs which are more appropriate in the current circumstances.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended March 31, 2009, 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, 2009.

The external auditor has reviewed the interim financial information for the six months ended March 31, 2009 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

The Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code throughout the six months ended March 31, 2009.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2009 interim report 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

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

Hong Kong, June 19, 2009

Website: www.pousheng.com