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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, 2008

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the year ended September 30,		**Percentage**
	2008	2007	**increase**
Revenue *(US$'000)*	**959,548**	555,903	72.6%
Profit attributable to equity holders of the Company *(US$'000)*	**70,024**	31,927	119.3%
Basic earnings per share *(US cents)*	**2.9**	2.4	20.8%

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 those companies that became subsidiaries of the Company on May 23, 2008 (together with the Company hereinafter collectively referred to as the "Group") for the year ended September 30, 2008 with comparative figures for the corresponding period in 2007 as follows:

Consolidated Income Statement

For the year ended September 30, 2008

	NOTES	**2008** *US$'000*	2007 *US$'000*
Revenue	3	**959,548**	555,903
Cost of sales		**(615,184)**	(354,893)
Gross profit		**344,364**	201,010
Other income		**27,733**	14,226
Selling and distribution expenses		**(228,615)**	(118,842)
Administrative expenses		**(58,980)**	(37,423)
Listing expenses		**(6,631)**	–
Fair value changes on derivative financial instruments		**8,945**	–
Finance costs		**(17,643)**	(3,710)
Share of results of associates		**7,987**	108
Share of results of jointly controlled entities		**23,304**	3,049
Profit before taxation		**100,464**	58,418
Income tax expense	4	**(20,763)**	(14,484)
Profit for the year	5	**79,701**	43,934
Attributable to:			
Equity holders of the Company		**70,024**	31,927
Minority interests		**9,677**	12,007
		79,701	43,934
Earnings per share	6		
– basic		**2.9 US cents**	2.4 US cents
– diluted		**2.8 US cents**	N/A

Consolidated Balance Sheet

At September 30, 2008

	NOTE	**2008** **US$'000**	2007 US$'000
Non-current assets			
Property, plant and equipment		**169,564**	102,056
Deposit for acquisition of property, plant and equipment		**22,447**	13,286
Prepaid lease payments		**15,772**	5,169
Goodwill		**2,101**	2,101
Interests in associates		**20,357**	10,922
Loan to an associate		**7,304**	–
Interests in jointly controlled entities		**65,207**	33,036
Loans to jointly controlled entities		**75,604**	39,915
Rental deposits and prepayments		**35,408**	21,797
Deferred tax assets		**1,908**	–
		415,672	228,282
Current assets			
Inventories		**250,623**	112,375
Trade and other receivables	7	**217,485**	98,159
Rental deposits and prepayments		**5,855**	3,437
Prepaid lease payments		**482**	125
Taxation recoverable		**154**	–
Derivative financial instruments		**59,744**	–
Amounts due from related parties		**1,801**	20,616
Pledged bank deposits		**2,337**	–
Bank balances and cash		**183,253**	90,936
		721,734	325,648

	NOTE	**2008** *US$'000*	2007 *US$'000*
Current liabilities			
Trade and other payables	8	**151,275**	114,458
Taxation payable		**6,728**	9,101
Amounts due to related parties		**1,919**	112,382
Bank borrowings		**306,288**	99,975
Bank overdrafts		**–**	5,352
		466,210	341,268
Net current assets (liabilities)		**255,524**	(15,620)
Total assets less current liabilities		**671,196**	212,662
Non-current liabilities			
Bank borrowings		**5,843**	25,273
Deferred tax liabilities		**3,044**	–
		8,887	25,273
		662,309	187,389
Capital and reserves			
Share capital and paid up capital		**4,575**	53,488
Reserves		**641,141**	84,929
Equity attributable to equity holders of the Company		**645,716**	138,417
Minority interests		**16,593**	48,972
Total equity		**662,309**	187,389

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on November 14, 2007 as an exempted company under the Companies Act 1981 of Bermuda (as amended) and its shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from June 6, 2008. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

Through a group reorganization to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange ("Group Reorganization"), the Company became the holding company of the Group on May 23, 2008 onwards.

In preparation for the listing of the Company's shares on the Stock Exchange, the following share exchanges and transfers took place on May 23, 2008:

(i) Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") transferred its interests in the subsidiaries comprising the Group to YY Sports Holdings Limited ("YY Sports") and/or subsidiaries of YY Sports;

(ii) Certain minority interests in subsidiaries were acquired by YY Sports and/or subsidiaries of YY Sports from the respective minority shareholders;

(iii) The entire equity interests in YY Sports were transferred to the Company by means of an exchange of shares; and

(iv) The Company issued shares to Yue Yuen and the minority shareholders of the subsidiaries in consideration for the share transfers described above.

Further details of the Group Reorganization are set out in the prospectus issued by the Company, dated May 26, 2008 (the "Prospectus").

The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure under the Group Reorganization had been in existence throughout the two years ended September 30, 2008 or since their respective dates of incorporation or establishment or date of acquisition, whichever is the shorter period, in accordance with the respective equity interests in the individual companies attributable to Yue Yuen throughout the two years ended September 30, 2008 (while the results of the companies comprising the Group attributable to the shareholders other than Yue Yuen were accounted for as minority shareholders).

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

The Company is an investment holding company. The principal activities of the Group are (i) manufacturing and sales of OEM footwear, (ii) retailing of sportswear, (iii) distribution of licensed products, and (iv) operation and management of sportswear malls.

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.

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

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after October 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]

[1] Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009
[2] Effective for annual periods beginning on or after January 1, 2009
[3] Effective for annual periods beginning on or after July 1, 2009
[4] Effective for annual periods beginning on or after January 1, 2008
[5] Effective for annual periods beginning on or after July 1, 2008
[6] Effective for annual periods beginning on or after October 1, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a change of control, which will be accounted for as equity transactions.

HK(IFRIC) – Int 13 will effect the accounting of the customer award credits of the Group where it will be 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. Currently, the revenue is recognized in full and the customer award credits are expensed when the credits are redeemed. The Directors anticipate that the application of HK(IFRIC) – Int 13 will have an effect on the results and financial position of the Group but they are not yet in a position to determine the extent of its effect.

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.

3. REVENUE AND SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organized into several 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, 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						**(9,991)**
Listing expenses						**(6,631)**
Share of results of associates	**–**	**7,987**	**–**	**–**	**–**	**7,987**
Share of results of jointly controlled entities	**–**	**23,304**	**–**	**–**	**–**	**23,304**
Fair value changes on derivative financial instruments						**8,945**
Finance costs						**(17,643)**
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

For the year ended September 30, 2007

	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	67,053	355,244	133,187	419	–	555,903
Inter-segment sales*	–	–	13,603	–	(13,603)	–
Total	67,053	355,244	146,790	419	(13,603)	555,903
RESULTS						
Segment results	8,220	26,926	28,283	(990)	–	62,439
Unallocated corporate income						970
Unallocated corporate expenses						(4,438)
Share of results of associates	–	108	–	–	–	108
Share of results of jointly controlled entities	–	3,049	–	–	–	3,049
Finance costs						(3,710)
Profit before taxation						58,418
Income tax expense						(14,484)
Profit for the year						43,934

* Inter-segment sales are charged at prevailing market rates

Geographical segments

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

4. INCOME TAX EXPENSE

	2008	2007
	US$'000	*US$'000*
Taxation charge represents:		
Current tax :		
Hong Kong Profits Tax	**783**	617
PRC Enterprise Income Tax ("EIT")	**19,780**	12,683
Overseas income tax	**1,589**	1,184
Overprovision:		
PRC EIT	**(2,525)**	–
	19,627	14,484
Deferred taxation	**1,136**	–
	20,763	14,484

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

Up to December 31, 2007, PRC EIT was calculated based on the statutory rate of 33% 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:

(i) 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. The tax holidays and concessions will expire between 2008 and 2010.

(ii) 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》and 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.

(iii) 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 amounted to over 50% of its total revenue in a fiscal year. Continuance of this preferential rate is subject to annual confirmation from the local tax bureau.

On March 16, 2007, the PRC government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations have changed the tax rate to 25% for the subsidiaries from January 1, 2008. 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 (iii) above is increased progressively to 25% over a five year period. The tax exemption and deduction from EIT entitled as set out in (i) above continue to be applicable until the end of the five year transitional period under the New Law. The preferential treatment set out in (ii) above continues on the implementation of the New Law.

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

5. PROFIT FOR THE YEAR

	2008	2007
	US$'000	*US$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**2,304**	600
Other staff costs	**98,405**	64,496
Retirement benefit scheme contributions, excluding directors	**4,002**	1,007
Equity-settled shares-based payment	**338**	–
Total staff costs	**105,049**	66,103
Auditor's remuneration	**560**	250
Depreciation of property, plant and equipment	**17,746**	11,701
Release of prepaid lease payment	**257**	51
Loss on disposal of property, plant and equipment	**766**	25
Research and development expenditure	**1,867**	1,675
Impairment loss (reversal of impairment loss) recognized on trade receivables	**85**	(335)
Allowance (reversal of allowance) for inventories	**297**	(2,829)
Costs of inventories	**615,184**	354,893
Interest income from banks	**(1,643)**	(970)
Interest income from associates	**(124)**	–
Interest income from jointly controlled entities	**(2,306)**	(97)
Cash discounts from suppliers	**(14,079)**	(7,723)
Sales of store displays and related items	**(4,181)**	(3,928)
Net exchange gain	**(2,547)**	(1,236)
Share of taxation of associates (included in share of results of associates)	**2,053**	119
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**7,000**	878

6. EARNINGS PER SHARE

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

	2008	2007
	US$'000	*US$'000*
Earnings:		
Profit for the year attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**70,024**	31,927

	2008	2007
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**2,453,445,393**	1,318,337,062
Effect of dilutive potential ordinary shares: Pre-IPO Share Subscription Plan	**44,472,710**	N/A
Number of ordinary shares for the purpose of diluted earnings per share	**2,497,918,103**	N/A

The weighted average number of shares for the year ended September 30, 2008 and 2007 have been retrospectively adjusted for the effect the Group Reorganization and the capitalization of share premium in May 2008 as detailed in the Prospectus.

7. TRADE AND OTHER RECEIVABLES

	2008	2007
	US$'000	*US$'000*
Trade receivables	**137,664**	67,150
Deposits, prepayments and other receivables	**79,821**	31,009
	217,485	98,159

The Group generally allows an average credit period of 30 days to 90 days to its trade customers. The aged analysis of the Group's trade receivables is as follows:

	2008	2007
	US$'000	*US$'000*
0 - 30 days	**111,238**	56,974
31 - 90 days	**25,283**	9,172
Over 90 days	**1,143**	1,004
	137,664	67,150

8. TRADE AND OTHER PAYABLES

	2008	2007
	US$'000	*US$'000*
Trade payables	**92,498**	39,526
Bills payables	**518**	41,785
Other payables	**58,259**	33,147
	151,275	114,458

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

0 – 30 days	**82,005**	55,534
31 – 90 days	**9,166**	19,607
Over 90 days	**1,845**	6,170
	93,016	81,311

FINAL DIVIDEND

The Directors do not propose any final dividend for the year ended September 30, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, February 24, 2009 to Friday, February 27, 2009, both days inclusive, during which period no transfer of 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 Friday, February 27, 2009, all transfer of the Company's 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 Rooms 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on February 23, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Highlights

- Successfully listed on the Main Board of the Stock Exchange on June 6, 2008

When compared to the financial year ended September 30, 2007:

- Revenue increased by 72.6% to US$959.5 million

- Gross profit increased by 71.3% to US$344.4 million

- Profits for the year (excluding fair value changes on derivative financial instruments) increased by 61.1% to US$70.8 million

- Basic earnings per share increased by 20.8% to 2.9 US cents

Business Overview

The financial year ended September 30, 2008 was a period full of opportunities and challenges. While the PRC has experienced the worst snowstorm in the past fifty years at the beginning of 2008, a massive earthquake in Sichuan Province in May 2008, an extensive flooding in mid to late June 2008 after heavy rainstorms over vast areas across Guangdong and Guangxi Provinces, as well as the global financial crisis during this period, all of which impacted on the general consumer spending sentiment negatively in the PRC, we were able to deliver strong results as highlighted above. The PRC sportswear market continued to grow rapidly, driven by the nation's economic growth, rising disposable income per capita and increasing interest in sports activities. In particular, we believe the 2008 Beijing Olympics that was successfully held has raised individuals' awareness in sports activities across the nation which in turn had further enhanced the growth of the PRC sportswear market.

As a leading sportswear retailer in the PRC, we believe we are well positioned to capture this market opportunity to increase our market share by expanding our retail distribution network and to enhance our profitability by further optimizing the management of our vast store network. As at September 30, 2008, we, together with our regional joint ventures, operated a total of 4,728 directly operated retail outlets across almost every province in the PRC. As at December 31, 2008, we have successfully integrated our POS (Point-of-sale) system with over 90% of the retail outlets directly operated by our regional joint ventures and our financial management systems with 17 out of 18 of 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 September 30, 2008, the number of retail outlets operated by our retail sub-distributors and our regional joint ventures' retail sub-distributors amounted to 877 and 2,631 respectively.

As part of our expansion strategy to extend the reach of our retail network, we have established regional joint ventures in different regions in the PRC with partners who 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 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 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 terminated on December 31, 2008. Starting from January 1, 2009, we have become the exclusive distributor of Converse's products in the PRC until December 31, 2011. 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 five brands at our Taicang factory, namely Li Ning, ANTA, Umbro, Kappa and 361°, solely for sale to our OEM/ODM customers. The production capacity of our Taicang factory increased from 15 production lines as at September 30, 2007 to 18 production lines as at September 30, 2008.

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 have undergone the process to integrate our regional joint ventures, we have been closely monitoring their operational and financial performance. For the financial year ended September 30, 2008, our regional joint ventures taken in aggregate have performed up to our expectations. We have continued to maximize our returns from our regional joint ventures by implementing our powerful IT system and introducing our best practices to them. We continue to hold call options to acquire the remaining interests in 15 regional joint ventures.

Financial Review

Despite the numerous challenges experienced by the PRC in general in 2008, we delivered strong growth and have further strengthened our leading position in the PRC sportswear retail market. During the financial year ended September 30, 2008, we achieved revenue of US$959.5 million, and net profit before minority interests (excluding fair value gains on derivative financial instruments) of US$70.8 million, representing growth rates of 72.6% and 61.1% from the financial year ended September 30, 2007 respectively. Our regional joint ventures continued to demonstrate strong performance and contributed total net profit before minority interests of US$31.3 million, accounting for approximately 44.2% of our combined net profit before minority interests (excluding fair value gains on derivative financial instruments) for the financial year ended September 30, 2008. Despite the challenging operating environment, the operating results for the financial year ended September 30, 2008 demonstrated our competitive advantages and the concerted efforts of all our staff.

Revenue

Our combined revenue increased by 72.6% to US$959.5 million for the financial year ended September 30, 2008 from US$555.9 million for the financial year ended September 30, 2007. This increase was primarily due to the continued growth of our retail, brand licensee and manufacturing businesses.

Retail Business. Revenue from our retail business increased by 87.8% to US$667.3 million for the financial year ended September 30, 2008, from US$355.2 million for the financial year ended September 30, 2007. This increase was primarily due to more sales as a result of the increase in the number of directly operated retail outlets. The number of our directly operated retail outlets increased to 2,118 as at September 30, 2008, from 1,199 as at September 30, 2007. Among the revenue generated from our retail business, revenue generated by sales to retail sub-distributors increased by 54.9% to US$138.0 million for the financial year ended September 30, 2008, from US$89.1 million for the financial year ended September 30, 2007, primarily due to the network expansion undertaken by our sub-distributors.

Brand Licensee Business. Revenue from our brand licensee business increased by 36.4% to US$181.7 million for the financial year ended September 30, 2008, from US$133.2 million for the financial year ended September 30, 2007. This increase was primarily due to an increase in the number of retail outlets operated by our retail distributors and their sub-distributors, and the strong performance of our Converse brand licensee business.

Manufacturing Business. Revenue from our manufacturing business increased by 60.8% to US$107.8 million for the financial year ended September 30, 2008, from US$67.1 million for the financial year ended September 30, 2007. 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 18, and our Taicang factory has operated close to full capacity during the financial year ended September 30, 2008. During the same period, the average sales prices for our manufactured products remained relatively stable.

Property Leasing and Management Business. Revenue from our property leasing and management business increased by US$2.3 million to US$2.7 million for the financial year ended September 30, 2008, from US$0.4 million for the financial year ended September 30, 2007. We established this business in December 2006 to complement the variety of our retail channels.

Cost of Sales

Our cost of sales increased by 73.3% to US$615.2 million for the financial year ended September 30, 2008, from US$354.9 million for the financial year ended September 30, 2007, in line with the increase in sales in our retail, brand licensee and manufacturing businesses.

Gross Profit and Gross Profit Margin

As a result of the factors listed above, our gross profit increased by 71.3% to US$344.4 million for the financial year ended September 30, 2008, from US$201.0 million for the financial year ended September 30, 2007. Our overall gross profit margin decreased to 35.9% for the financial year ended September 30, 2008 as compared to 36.2% for the financial year ended September 30, 2007. The decrease in gross profit margin was primarily due to the lower gross profit margin in our brand licensee business as a result of higher discounts offered to increase product sell-through, which was partially offset by the margin improvements in our manufacturing business. The gross profit margin of our retail business remained relatively stable. The gross profit margins of our retail business and brand licensee business for the financial year ended September 30, 2008 were 32.3% and 45.9%, respectively.

Other Income

Our other income was US$27.7 million for the financial year ended September 30, 2008, representing an increase of US$13.5 million, or 94.9%, from US$14.2 million for the financial year ended September 30, 2007. Our other income increased primarily due to an increase of US$6.4 million in the cash discounts and sales bonus granted by brand suppliers, an increase of US$2.6 million in others and an increase of US$2.3 million in interest income from related parties.

Selling and Distribution Expenses

Our selling and distribution expenses were US$228.6 million for the financial year ended September 30, 2008, representing an increase of 92.4% from US$118.8 million for the financial year ended September 30, 2007. The increase was due to: (i) rental expenses, which increased by 90.4% to US$106.3 million, primarily due to the expansion in the number of our retail outlets; (ii) staff costs, which increased by 103.1% to US$48.3 million, primarily due to the increase in number of employees, the increased bonus paid to our staff as a result of higher revenue and the increase in employee social securities provision as a result of the newly introduced labor laws in the PRC; (iii) general expenses, which increased by US$9.4 million to US$11.5 million; and (iv) royalty expenses, which increased by 46.9% to US$19.9 million, primarily due to higher sales achieved by our brand licensee business.

Administrative Expenses and Listing Expenses

Our administrative expenses were US$65.6 million for the financial year ended September 30, 2008, representing an increase of 75.3% from US$37.4 million for the financial year ended September 30, 2007. The increase was primarily due to (i) an increase of US$7.0 million, or 71.3% in general expenses; (ii) US$6.6 million in professional fee related to our listing on the Stock Exchange on June 6, 2008; (iii) an increase of US$6.5 million, or 28.7%, in staff costs, as a result of the increase in number of employees and the increase in employee social securities provision as a result of the newly introduced labor laws in the PRC; and (iv) an increase of US$3.5 million, or 181.7%, in corporate rental expenses.

Fair Value Changes on Derivative Financial Instruments

Fair value changes on derivative financial instruments were US$8.9 million for the financial year ended September 30, 2008, increasing from nil for the financial year ended September, 2007. In the second half of 2007, we began to enter into call option agreements with our joint venture partners. As at September 30, 2008, we had entered into call option agreements with our partners in 15 regional joint ventures in which we have minority interests, and with the minority shareholders of three of our non-wholly owned subsidiaries.

Finance Costs

Our finance costs were US$17.6 million for the financial year ended September 30, 2008, representing an increase of 375.7% from US$3.7 million for the financial year ended September 30, 2007. This was primarily due to an increase in the amount of the average monthly outstanding borrowings during the financial year ended September 30, 2008.

Share of Results of Associates

Our share of results of associates increased to US$8.0 million for the financial year ended September 30, 2008, from US$0.1 million for the financial year ended September, 2007. The increase was primarily due to the increased contribution from our three associates invested by us.

Share of Results of Jointly Controlled Entities

Our share of results of jointly controlled entities increased to US$23.3 million for the financial year ended September 30, 2008, from US$3.0 million for the financial year ended September 30, 2007. 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 increased by 72.0% to US$100.5 million for the financial year ended September 30, 2008, from US$58.4 million for the financial year ended September 30, 2007.

Income Tax Expense

Our taxation expense was US$20.8 million for the financial year ended September 30, 2008, representing an increase of 43.4%, from US$14.5 million for the financial year ended September 30, 2007, which was primarily due to an increase in profit before taxation. The effective tax rate decreased to 20.7% for the financial year ended September 30, 2008, as compared with 24.8% for the financial year ended September 30, 2007.

Profit for the Year

As a result of the above factors, our profit for the financial year ended September 30, 2008 was US$79.7 million, representing an increase of US$35.8 million, or 81.6%, from US$43.9 million for the financial year ended September 30, 2007.

For the financial year ended September 30, 2008, our profit attributable to equity holders of the Company (excluding fair value changes on derivative financial instruments) of US$61.1 million was 4.7% lower than the profit forecast of US$64.1 million stated in the IPO prospectus dated May 26, 2008. The shortfall was primarily due to (i) the worst snowstorm that the PRC has experienced in the past fifty years, the massive earthquake in Sichuan Province, and the extensive flooding after heavy rainstorms over vast areas across Guangdong and Guangxi Provinces, all of which weakened consumer sentiment in the PRC; (ii) the decrease in pedestrian traffic during the Beijing Olympics as a result of tighter security controls and the general public being attracted to the Olympic events; and (iii) the global financial crisis, which had a negative impact on the Chinese economy and the general consumer sentiment. Together, these factors led to an increase in inventories level which resulted in higher selling discounts and ultimately reduced the overall profitability of the Group.

Minority Interests

Minority interests were US$9.7 million for the financial year ended September 30, 2008, representing an decrease of 19.4% from US$12.0 million for the financial year ended September 30, 2007.

Profit Attributable to Equity Holders of Our Company

Our profit attributable to equity holders of the Company was US$70.0 million for the financial year ended September 30, 2008, representing an increase of US$38.1 million, or 119.4%, from US$31.9 million for the financial year ended September 30, 2007.

Working Capital Efficiency

The average inventory turnover days for the financial year ended September 30, 2008 and 2007 were 107.7 days and 88.5 days respectively. The increase was primarily due to the upfront inventory stock-up related to our new retail outlets, which would typically require a certain period of time before their revenue ramps up to a stable level.

The average trade receivables turnover days for the financial year ended September 30, 2008 and 2007 were 39.0 days and 34.6 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, 2008 and 2007 were 51.7 days and 57.3 days respectively. Average trade and bill payables turnover days decreased as a result of our proactive strategy to maximize the cash rebate incentives offered by the brand companies in exchange for quicker payment for merchandise.

Liquidity and Financial Resources

The Group's net cash and cash equivalents as at September 30, 2008 rose 114.1% to US$183.3 million from US$85.6 million as at September 30, 2007. As at September 30, 2008, the working capital of the Group was US$255.5 million, an increase from negative US$15.6 million as at September 30, 2007.

As at September 30, 2008, the Group's current ratio was 154.8%, compared to 95.4% as at September 30, 2007 and gearing ratio (total borrowings divided by total assets) was 27.4%, compared to 23.6% as at September 30, 2007. The Group's total borrowings at as September 30, 2008 increased 139.0% to US$312.1 million from US$130.6 million as at September 30, 2007, primarily as a result of additional bank borrowings raised to fund working capital needs for retail network expansion, as well as the expansion of the property leasing and management business. The maturity profile of bank borrowings was spread over around a period of 1 year, with US$306.3 million payable within one year and US$5.8 million payable in more than one year but not exceed two 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$11.9 million for the year ended 30 September 2008. We have used a portion of the net proceeds from our initial public offering to repay the entire balance of the additional borrowings and the bank borrowings that we borrowed for the purposes of providing shareholder's loans to some of our regional joint ventures. Our borrowing was mainly for shorten term loan and generally matured within one year and rolled over continuously. For the foreseeable future, 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.

During the financial year ended September 30, 2008, net cash outflow from operating activities was US$139.9 million, as compared to US$9.6 million net cash inflow from the financial year ended September 30, 2007. The net cash outflow for the financial year ended September 30, 2008 was primarily due to an increase in inventories as a result of the continued expansion of our retail business, and an increase in trade and other receivables mainly as a result of increased sales generated by our department store counters and retail distributors from which we generally received payments for our products within 30 to 45 days from the invoice date. These factors were partially offset by the substantial improvements in our profit before taxation for the financial year ended September 30, 2008 compared to the corresponding period in 2007.

Net cash used in investing activities during the financial year ended September 30, 2008 was US$134.9 million compared to US$186.6 million for the financial year ended September 30, 2007. During the year under review, the Group invested approximately US$77.2 million on purchases of property, plant and equipment, and made advances of US$31.8 million to jointly controlled entities.

Net cash generated from financing activities during the financial year ended September 30, 2008 was US$364.5 million compared to US$217.7 million for the financial year ended September 30, 2007. During the year under review, the Group had inflows of US$572.3 million from bank borrowings raised. This was partially offset by US$400.1 million of repayment of bank borrowings.

On June 6, 2008, the Company was successfully listed on the Main Board of the Stock Exchange and has received net proceeds of US$316.4 million after over-allotment option was partially exercised, which further strengthened the Group's financial position.

Capital Commitments and Contingent Liabilities

As at September 30, 2008, the Group had total capital commitments of US$21.5 million, US$4.9 million and US$1.5 million in respect of acquisition of property, plant and equipment, capital investment in associates and jointly controlled entities respectively.

As at September 30, 2008, the Group had no significant contingent liabilities.

Foreign Exchange

The Group conducts the business primarily in the PRC with the 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 September 30, 2008, 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 Operating and Expansion of Our Retail Network and Brand Portfolio

In our retail business, we plan to continue to improve the operating efficiency of our existing outlets. We aim to improve our existing retail outlets' performance, by effectively comprehending our competitors' movements, understanding the consumers better, precisely identifying our market position and fulfilling our consumers' needs.

We have call options in 15 of our regional joint ventures and three of our non-wholly owned subsidiaries that give us the right to acquire the entire remaining interests and controls, but only to joint ventures that perform up to standard. At the appropriate time, we will selectively exercise the call options to acquire the remaining interests in leading regional retailers that we believe will strengthen our existing market position according to the schedule laid out in the Prospectus.

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 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 September 30, 2008, the Group had a total of 25,820 employees. We review the performance of our employee annually, the results of which are used in annual salary review and promotional appraisals. In order to remain competitive in the labor market, we also conduct research on remuneration packages that 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 scheme, the principal terms of which have been set out in the Prospectus. In addition, we also provide our employees with mandatory retirement funds, insurance and medical coverage. The Group also offers training programs based on the personal career development to its employees.

Share-Based Remuneration Schemes

The principal terms and conditions of the Pre-IPO Share Subscription Plan and the Share Option Scheme, which were conditionally approved by resolutions of the sole shareholder of the Company on May 14, 2008, are set out in the section headed "Share-Based Remuneration Scheme" in Appendix VIII to the Prospectus. At the date of this announcement, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save under the initial public offering in June 2008, during the year under review, 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

The shares of the Company commenced trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on June 6, 2008. Since the Listing Date until September 30, 2008, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 year ended September 30, 2008.

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 2008 annual 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. Huang Tsung Jen, Mr. Lee Chung Wen, Mr. Huang Chun Hua, Mr. Lu Ning and Miss Chang Karen Yi-Fen are the Executive Directors; Mr. Ku Edward, Yu-Sun and Miss Tsai Patty, Pei Chun 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, 13 January 2009

Website: www.pousheng.com