THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pou Sheng International (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

MAJOR TRANSACTION
PROPOSED ACQUISITION OF 70% OF THE ISSUED SHARE CAPITAL OF FARSIGHTED INTERNATIONAL LIMITED

CONNECTED TRANSACTION
PROPOSED ISSUE OF SHARES TO YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

Financial Adviser to Pou Sheng International (Holdings) Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

CIMB-GK Securities (HK) Limited

A notice convening the special general meeting of the Company to be held at Ballroom B, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on February 27, 2009, Friday at 10:30 a.m. or, if later, immediately following the adjournment or conclusion of the annual general meeting of the Company which is convened to be held at 10:00 a.m. for the same date and place is set out on pages 154 to 155 in this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjournment thereof, should you so wish.

February 4, 2009

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Board"	the board of Directors
"Business Day"	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business
"Company"	Pou Sheng International (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 3813
"Consideration"	the consideration payable by the Company for the DZJ Acquisition
"Consideration Share(s)"	Share(s) to be allotted and issued by the Company to the Vendor credited as fully paid as part of the consideration for the DZJ Acquisition
"Director(s)"	director(s) of the Company
"Dragonlight Group"	Dragonlight Group Limited, a company incorporated in the British Virgin Islands with limited liability and whose entire issued share capital is held indirectly by the Company
"DZJ"	Dalian Dongzhijie Sports Production Development Company (大連東之杰運動產業發展有限公司), a company established in the PRC with limited liability
"DZJ Acquisition"	the sale and purchase of the Sale Shares pursuant to the DZJ Acquisition Agreement
"DZJ Acquisition Agreement"	the sale and purchase agreement dated January 13, 2009 between the Company and the Vendor in respect of the sale and purchase of the Sale Shares
"DZJ Acquisition Completion"	the completion of the DZJ Acquisition pursuant to the DZJ Acquisition Agreement
"Enlarged Group"	the Group, FIL and its subsidiaries
"Executive"	the meaning ascribed to it in the Takeovers Code
"Existing Mandate"	the existing general mandate to issue Shares granted to the Board on May 14, 2008

"FIL"	Farsighted International Limited, a company incorporated in the British Virgin Islands with limited liability
"Greater China"	the PRC, Hong Kong, Macau and Taiwan
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee comprising Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Mak Kin Kwong and Mr. Cheng Ming Fun Paul, all being independent non-executive Directors of the Company, formed to advise the Independent Shareholders on the terms of the Yue Yuen Subscription Agreement and the transaction contemplated thereunder
"Independent Shareholder(s)"	Shareholder(s) other than Yue Yuen and its associates, and all other Shareholders interested in the Yue Yuen Subscription Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	February 2, 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Over-allotment Option"	the meaning ascribed to it in the Prospectus
"PHL" or "Vendor"	Proudview Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"PRC"	the People's Republic of China
"Prospectus"	the prospectus issued by the Company dated May 26, 2008
"Sale Shares"	all the shares of FIL held by the Vendor, representing 70% of the issued share capital of FIL
"SFC"	the Securities and Futures Commission

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened for the purpose of approving the Yue Yuen Subscription, the notice of which is contained in this circular
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.925 per Subscription Share
"Subscription Share(s)"	421,621,622 new Shares in aggregate to be issued by the Company to Yue Yuen pursuant to the Yue Yuen Subscription Agreement upon the Yue Yuen Subscription Completion
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"US$"	United States dollars, the lawful currency of the United States of America
"Whitewash Waiver"	a waiver from any obligation of Yue Yuen to make a general offer for all the Shares (other than those then held by Yue Yuen) that may arise on completion of the Yue Yuen Subscription under Rule 26 of the Takeovers Code
"Yue Yuen"	Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 551
"Yue Yuen Subscription"	the issue and allotment of 421,621,622 new Shares to Yue Yuen pursuant to the Yue Yuen Subscription Agreement
"Yue Yuen Subscription Agreement"	the conditional subscription agreement dated January 13, 2009 between the Company and Yue Yuen in respect of the issue and allotment of new Shares to Yue Yuen subject to the terms and conditions contained therein
"Yue Yuen Subscription Completion"	the completion of the Yue Yuen Subscription pursuant to the Yue Yuen Subscription Agreement

"%"	per cent

For the purpose of illustration in this circular only, sums in US$ were translated into HK$ and vice versa at a rate of US$1 to HK$7.8.

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

Board of Directors:
Chairman and Non-executive Director:
David N. F. Tsai

Vice-Chairman and Non-executive Director:
Edward Y. Ku

Executive Directors:
Huang Tsung Jen *(Chief Executive Officer)*
Lee Chung Wen
Huang Chun Hua
Lu Ning
Chang Karen Yi-Fen

Non-executive Director:
Tsai Pei Chun, Patty

Independent Non-executive Directors:
Chen Huan-Chung
Hu Sheng-Yih
Mak Kin Kwong
Cheng Ming Fun Paul

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Suites 3108-11, 31/F
Tower 6, The Gateway
9 Canton Road
Tsimshatsui, Kowloon
Hong Kong

February 4, 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
PROPOSED ACQUISITION OF 70% OF THE ISSUED SHARE CAPITAL OF FARSIGHTED INTERNATIONAL LIMITED

CONNECTED TRANSACTION
PROPOSED ISSUE OF SHARES
TO YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

INTRODUCTION

The Company made an announcement on January 14, 2009 in respect of the DZJ Acquisition and the Yue Yuen Subscription, details of which are set out below in this circular.

The purpose of this circular is to provide you with, among other things, (i) further information on the DZJ Acquisition and the Yue Yuen Subscription; (ii) the letter from CIMB-GK Securities (HK) Limited, the independent financial adviser; (iii) the accountants' report on FIL; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) notice of the SGM.

DZJ ACQUISITION AGREEMENT

On January 13, 2009, the Company, the Vendor and FIL entered into the DZJ Acquisition Agreement whereby among other things, the Company has conditionally agreed to purchase (or procure its nominee to purchase) and the Vendor has conditionally agreed to sell the Sale Shares. The following is a brief summary of some of the principal terms of the DZJ Acquisition Agreement:

Date of the DZJ Acquisition Agreement:

January 13, 2009

Parties:

Purchaser:	The Company
Vendor:	The Vendor
Target:	FIL

Asset to be acquired:

The assets to be acquired are the Sale Shares, representing the 70% of the issued share capital of FIL not already owned by the Company. The principal asset of FIL is the entire equity interest in DZJ. DZJ, through its subsidiaries, is principally engaged in sportswear retailing business in the PRC.

For the year ended September 30, 2007, the audited consolidated net profits before and after taxation of FIL were approximately US$3.7 million and US$2.5 million respectively. For the year ended September 30, 2008, the audited consolidated net profits before and after taxation of FIL were approximately US$28.2 million and US$19.0 million respectively. The audited consolidated net asset value of FIL as at September 30, 2008 was approximately US$31.7 million.

Consideration:

The Consideration consists of (i) cash in the amount of US$54,946,359 (which is approximately HK$428,581,600) payable at the DZJ Acquisition Completion; and (ii) 393,584,541 new Consideration Shares at an issue price of HK$0.925 per Consideration Share, which will be allotted and issued, credited as fully paid, under the Existing Mandate at the DZJ Acquisition Completion. The Existing Mandate has not been utilised since it was granted on May 14, 2008.

This issue price of HK$0.925 per Consideration Share was determined based on the performance of the price of the Shares before signing of the DZJ Acquisition Agreement, the shareholding of the Vendor in the Company after the issue and the financial and operating performance of FIL and its subsidiaries. The aggregate nominal value of the Consideration Shares is HK$3,935,845.41. The issue price of HK$0.925 per Consideration Share, represents:

(i) a premium of approximately 10.1% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on January 12, 2009 (being the last trading day immediately prior to the date of the DZJ Acquisition Agreement);

(ii) a premium of approximately 1.6% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.91 for the past 5 trading days up to and including January 12, 2009;

(iii) a premium of approximately 2.8% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.90 for the past 10 trading days up to and including January 12, 2009;

(iv) a premium of approximately 18.6% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.78 for the past 30 trading days up to and including January 12, 2009;

(v) a premium of approximately 20.1% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.77 for the past 60 trading days up to and including January 12, 2009;

(vi) a premium of approximately 6.3% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.87 for the past 90 trading days up to and including January 12, 2009; and

(vii) a premium of approximately 25.0% to the closing price per Share as quoted on the Stock Exchange of approximately HK$0.74 at the Latest Practicable Date.

The Company intends to use all the proceeds from the Yue Yuen Subscription to satisfy part of the cash portion of the Consideration and will use internal resources to satisfy the remaining portion of the cash Consideration. If the Yue Yuen Subscription does not proceed, it will use internal resources and bank borrowings to satisfy the whole cash portion of the Consideration.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to the financial and operating performance of FIL and its subsidiaries. After the DZJ Acquisition Completion, the Company will recognise FIL as a subsidiary and fully consolidate FIL's results and assets into its consolidated accounts. The Consideration represents a price to earnings ratio of 7.6 based on the audited accounts of FIL for the financial year ended September 30, 2008, which is relatively attractive when compared to other companies with similar business. Such price to earnings ratio was calculated by dividing the Consideration by 70% (being the interest to be acquired by the Company) of the total audited consolidated earnings of FIL and its subsidiaries for the financial year ended September 30, 2008.

The Consideration Shares represent (i) approximately 11.0% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 9.9% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iii) approximately 9.0% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Yue Yuen Subscription Shares. The Consideration Shares when issued, will rank *pari passu* in all respects with the Shares then in issue as at the date of allotment. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares. There is no restriction on disposal of the Consideration Shares by the Vendor under the DZJ Acquisition Agreement.

Conditions precedent of the DZJ Acquisition Agreement:

The DZJ Acquisition Completion is conditional upon the fulfilment or waiver (as applicable) of conditions precedent to the following effect:

1. save for any misrepresentation which will not result (or will not reasonably result) in any material adverse effects, all representations and warranties made by the Company, the Vendor and FIL under the DZJ Acquisition Agreement being true and correct at the date of the DZJ Acquisition Completion or at a specified date stated in the DZJ Acquisition Agreement (where appropriate);

2. all covenants, duties, conditions and agreements made by the Company, the Vendor and FIL in the DZJ Acquisition Agreement being complied with prior to and as at the date of DZJ Acquisition Completion;

3. the listing of and permission to deal in the Consideration Shares having been granted by the Stock Exchange;

4. there being no government actions or threats of government actions which (i) restrict, forbid or invalidate the transaction contemplated under the DZJ Acquisition Agreement, or (ii) affect the Company's right in operating or controlling FIL upon DZJ Acquisition Completion and there being no orders from any governmental departments forbidding the transaction contemplated under the DZJ Acquisition Agreement or rendering the completion of the DZJ Acquisition illegal; and

5. the terms of the DZJ Acquisition Agreement having been approved by the Shareholders (who are entitled to vote under the Listing Rules) in its general meeting pursuant to the requirements of the Listing Rules or if acceptable to the Stock Exchange, the receipt of a written approval of Yue Yuen, the Company's controlling shareholder, in lieu of holding a general meeting.

Conditions 3 and 5 above cannot be waived. The DZJ Acquisition Agreement will be terminated automatically if the above conditions are not fulfilled or waived (as the case may be) within 180 days of the agreement.

DZJ Acquisition Completion:

DZJ Acquisition Completion is expected to take place within 14 Business Days after all the above conditions precedent are fulfilled or waived (as the case may be) including obtaining approval of the listing of and permission to deal in the Consideration Shares from the Stock Exchange.

DZJ is currently owned as to 100% by FIL which is in turn owned as to 70% by the Vendor and as to the remaining 30% by the Company (through its subsidiary Dragonlight Group). Upon DZJ Acquisition Completion, FIL will become a wholly-owned subsidiary of the Company. As the Company proposes to nominate its wholly-owned subsidiary, Dragonlight Group, to acquire the Sale Shares under the DZJ Acquisition Agreement, the Company will indirectly own the entire issued share capital of FIL through Dragonlight Group.

Completion of the DZJ Acquisition will not result in a change of control of the Company.

YUE YUEN SUBSCRIPTION AGREEMENT

On January 13, 2009, the Company entered into the Yue Yuen Subscription Agreement with Yue Yuen whereby, among other things, the Company conditionally agreed to allot and issue and Yue Yuen conditionally agreed to subscribe for a total of 421,621,622 Yue Yuen Subscription Shares, at the Yue Yuen Subscription Price of HK$0.925 per new Share or HK$390,000,000 in aggregate. The following is a brief summary of some of the principal terms of the Yue Yuen Subscription Agreement:

Date of the Yue Yuen Subscription Agreement:

January 13, 2009

Parties:

Issuer: The Company
Subscriber: Yue Yuen

Subscription Price:

The Subscription Price is HK$0.925, which is same as the issue price per Consideration Share. The aggregate nominal value of the Subscription Shares is HK$4,216,216.22.

The Subscription Price of HK$0.925 per Subscription Share was arrived at after arm's length negotiations between the Company and Yue Yuen. The issue price of HK$0.925 per Subscription Share was determined based on the recent performance of the price of the Shares before signing of the Yue Yuen Subscription Agreement and the resultant shareholding of Yue Yuen in the Company after the issue.

The total gross and net proceeds from the Yue Yuen Subscription are the same and will amount to approximately HK$390,000,000. The net Subscription Price of the Subscription Shares is expected to be approximately HK$0.925 per Share. The proposed use of the proceeds by the Company is to satisfy part of the cash portion of the Consideration of the DZJ Acquisition.

The closing price of the Shares, as quoted on the Stock Exchange on January 12, 2009, being the last trading day for the Shares prior to the date of the Yue Yuen Subscription Agreement, is HK$0.84 per Share.

The Subscription Price represents:

(i) a premium of approximately 10.1% to the closing price of HK$0.84 per Share as quoted on the Stock Exchange on January 12, 2009 (being the last trading day immediately prior to the date of the Yue Yuen Subscription Agreement);

(ii) a premium of approximately 1.6% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.91 for the past 5 trading days up to and including January 12, 2009;

(iii) a premium of approximately 2.8% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.90 for the past 10 trading days up to and including January 12, 2009;

(iv) a premium of approximately 18.6% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.78 for the past 30 trading days up to and including January 12, 2009;

(v) a premium of approximately 20.1% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.77 for the past 60 trading days up to and including January 12, 2009;

(vi) a premium of approximately 6.3% to the average closing price per Share as quoted on the Stock Exchange of approximately HK$0.87 for the past 90 trading days up to and including January 12, 2009; and

(vii) a premium of approximately 25.0% to the closing price per Share as quoted on the Stock Exchange of approximately HK$0.74 at the Latest Practicable Date.

Subscription Shares:

Pursuant to the Yue Yuen Subscription Agreement, the Company conditionally agreed to allot 421,621,622 new Shares, representing approximately 11.8% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 10.6% of the issued share capital of the Company as enlarged by the Yue Yuen Subscription Shares.

There is no restriction on disposal of the Subscription Shares by Yue Yuen under the Yue Yuen Subscription Agreement.

The Yue Yuen Subscription Shares, when issued, will rank *pari passu* in all respects with all Shares in issue as at the Yue Yuen Subscription Completion.

Application will be made by the Company to the Listing Committee for granting the listing of, and permission to deal in, the Yue Yuen Subscription Shares.

Conditions precedent of the Yue Yuen Subscription Agreement:

Yue Yuen Subscription Completion is conditional upon:

(i) the Yue Yuen Subscription Agreement and the Whitewash Waiver (if required) having been approved by the Shareholders who are qualified under the Listing Rules to vote on the relevant resolutions in general meeting of the Company;

(ii) if required, the Whitewash Waiver having been granted by the Executive;

(iii) the conditions under the DZJ Acquisition having been fulfilled or waived; and

(iv) listing of and permission to deal in the Yue Yuen Subscription Shares having been granted by the Stock Exchange.

The above conditions are not capable of being waived. If the above conditions are not fulfilled on or before July 31, 2009 (or such later date as the Company and Yue Yuen may agree in writing), then Yue Yuen may, thereafter at its option (but without prejudice to any other right or remedy it may have), by notice to the Company elect to terminate the Yue Yuen Subscription Agreement. The Company has been advised that no Whitewash Waiver is required.

Yue Yuen Subscription Completion:

Yue Yuen Subscription Completion is to take place after the fulfilment of the above conditions but immediately before the DZJ Acquisition Completion.

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT ON YUE YUEN

Assuming there is no other change in the shareholding capital of the Company after the Latest Practicable Date, the following table sets out the shareholding structure of the Company (i) at the Latest Practicable Date; (ii) immediately after the issue and allotment of the Consideration Shares and if the Yue Yuen Subscription does not proceed; (iii) immediately after the Yue Yuen Subscription but before the issue and allotment of Consideration Shares; and (iv) immediately after the issue and allotment of the Consideration Shares and the Subscription Shares:

Shareholders	As at the Latest Practicable Date		Immediately after the issue and allotment of the Consideration Shares and if the Yue Yuen Subscription does not proceed		Immediately after the Yue Yuen Subscription but before the issue and allotment of Consideration Shares		Immediately after the issue and allotment of the Consideration Shares and the Subscription Shares	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Yue Yuen	1,986,723,000	55.7	1,986,723,000	50.2	2,408,344,622	60.4	2,408,344,622	55.0
Jollyard Investments Limited(1)	366,945,000	10.3	366,945,000	9.3	366,945,000	9.2	366,945,000	8.4
Vendor(2)	NIL	NIL	393,584,541	9.9	NIL	NIL	393,584,541	9.0
Directors of the Company								
Huang Tsung Jen	277,976,000	7.8	277,976,000	7.0	277,976,000	7.0	277,976,000	6.3
David N. F. Tsai	3,037,000	0.1	3,037,000	0.1	3,037,000	0.1	3,037,000	0.1
Tsai Pei Chun, Patty	4,460,000	0.1	4,460,000	0.1	4,460,000	0.1	4,460,000	0.1
Other public	928,418,000	26.0	928,418,000	23.4	928,418,000	23.2	928,418,000	21.1
Total	**3,567,559,000**	**100%**	**3,961,143,541**	**100%**	**3,989,180,622**	**100%**	**4,382,765,163**	**100%**

(1) On the Yue Yuen Subscription Completion and/or the issue and allotment of the Consideration Shares, Jollyard Investments Limited will cease to be a connected person of the Company for the purposes of the Listing Rules and its holdings in the Company will be counted as "public" holdings.

(2) The Shares held by the Vendor count towards the public float of the Company.

The Yue Yuen Subscription will take place immediately before the issue and allotment of Consideration Shares, as a result of which Yue Yuen will hold 60.4% of the issued Shares in the Company immediately after completion of the Yue Yuen Subscription but before the Consideration Shares are issued and allotted.

If the Yue Yuen Subscription does not proceed, Yue Yuen will hold 50.2% of the issued Shares in the Company immediately after the issue and allotment of the Consideration Shares.

Immediately after the Yue Yuen Subscription and the issue and allotment of Consideration Shares, Yue Yuen's interest in the Company will be 55.0% and the Company will remain a subsidiary of Yue Yuen. Assuming there is no change in the shareholding of Yue Yuen in the Company (other than as a result of the issue of Consideration Shares and/or Subscription Shares) after the Latest Practicable Date, Yue Yuen's shareholding in the Company will at all times remain above 50% immediately before and after the DZJ Acquisition and/or Yue Yuen Subscription, no Whitewash Waiver will therefore be required. The Company has been advised that no Whitewash Waiver is required.

The Company was incorporated in Bermuda on November 14, 2007. The Group has at all material times been controlled by Yue Yuen and is regarded as a continuing entity. Accordingly, the financial information was prepared on the basis as if the Company had always been the holding company of the then subsidiaries of the Company prior to a reorganisation in connection with the Company's listing on the Stock Exchange in June 2008. For the year ended September 30, 2007, the Company's audited consolidated profits before and after taxation were approximately US$58.4 million and US$43.9 million respectively. For the year ended September 30, 2008, audited consolidated profits before and after taxation were approximately US$100.5 million and US$79.7 million respectively.

As at September 30, 2008, the audited consolidated net asset value of the Company was approximately US$662.3 million.

INFORMATION ON THE COMPANY AND YUE YUEN

Yue Yuen is an investment holding company. The principal activities of Yue Yuen and its subsidiaries are the manufacturing (as original equipment manufacturer and original design manufacturer) and sales of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

The Company is an investment holding company and is a subsidiary of Yue Yuen. The Group is a leading sportswear retailer in the PRC engaged in the retail business, brand licensee business, manufacturing business, and property leasing and management business.

INFORMATION ON THE VENDOR

The Vendor is an investment holding company. Through FIL and DZJ, the Vendor engages in the sportswear retailing business in the PRC and is currently directly operating 464 stores in 6 provinces and municipalities directly under the central government in the PRC. To the best of the knowledge, information and belief of the directors of each of the Company and Yue Yuen, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of and not connected with the Company, Yue Yuen or their respective connected persons.

REASONS FOR AND BENEFITS OF THE DZJ ACQUISITION AND THE YUE YUEN SUBSCRIPTION

DZJ Acquisition

DZJ, was established on August 13, 1998. In order to expand the store network and geographical coverage of the Company in the PRC, the Group formed a joint venture company, FIL, which was incorporated on the British Virgin Islands on May 23, 2006. DZJ was later transformed into a foreign-invested enterprise wholly owned by FIL. The DZJ Acquisition will enable the Company to consolidate fully the financial results of FIL which will become a wholly-owned subsidiary of the Company and enable the Company to recognise in its financial statements a larger share of the growth and profitability of FIL. The DZJ Acquisition will also allow the Company to benefit from economies of scale by increasing its purchasing power and potential integration of procurement and supply chain management functions. The DZJ Acquisition is also expected to strengthen the Company's position as a leading PRC sportswear retailer.

The Directors are of the view that the terms of the DZJ Acquisition Agreement are fair and reasonable and that the DZJ Acquisition is in the interest of the Company and in the interests of the Shareholders as a whole.

Yue Yuen Subscription

The Board considers that the Yue Yuen Subscription represents an opportunity to raise additional capital for the Company and to strengthen the financial position of the Company. The Subscription Price represents a 1.6%, 2.8%, 18.6%, 20.1% and 6.3% premium to the respective 5, 10, 30, 60 and 90-day average closing price per Share up to and including January 12, 2009. The Board believes that the Yue Yuen Subscription represents an opportunity to raise capital at a favourable price to the Company. The Company intends to apply all the net proceeds from the Yue Yuen Subscription to partially satisfy the cash portion of the Consideration.

The Yue Yuen Subscription Completion will result in a dilution of shareholding interest in the share capital of the Company of the existing Shareholders other than Yue Yuen.

The Directors (including Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Mak Kin Kwong, Mr. Cheng Ming Fun Paul, all being independent non-executive Directors of the Company, who have expressed their views in the letter from the Independent Board Committee set out on page 22 of this circular) are of the view that the terms of the Yue Yuen Subscription Agreement are fair and reasonable and are on normal commercial terms and the Yue Yuen Subscription is in the interest of the Company and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DZJ ACQUISITION

Financial Effects of the DZJ Acquisition

Following the DZJ Acquisition Completion, FIL will become a wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

Assets and Liabilities

Based on the audited consolidated financial statements of the Group as set out in Appendix I to this circular, the Group had audited consolidated total assets, total liabilities and net assets of approximately US$1,137.4 million, US$475.1 million and US$662.3 million respectively as at September 30, 2008.

The Group will account for the assets and liabilities of FIL at their fair values at DZJ Acquisition Completion. Goodwill (which represents the difference between the fair value of the Consideration and 70% of the net asset value of FIL at DZJ Acquisition Completion) of approximately US$78.2 million is expected to be recognised as an asset of the Enlarged Group. Such goodwill will be subject to impairment assessment as required by the HKAS 36 "Impairment of Assets". The initial accounting for the acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to certain underlying assets and liabilities of FIL. The goodwill of US$78.2 million has been determined provisionally and therefore, may be subject to further changes upon the finalisation of the initial accounting. Upon Completion of the DZJ Acquisition, the Enlarged Group will on a pro forma basis have unaudited total assets, total liabilities and net assets of approximately US$1,247.2 million, US$539.5 million and US$707.7 million respectively.

Earnings

As set out in the audited consolidated financial statements in Appendix I to this circular, the Group had profits before and after taxation of approximately US$100.5 million and US$79.7 million respectively for the financial year ended September 30, 2008.

As set out in the audited consolidated financial statements in Appendix II to this circular, FIL had profits before and after taxation of approximately US$28.2 million and US$19.0 million respectively for the financial year ended September 30, 2008.

The impact on the earnings of the Group of the DZJ Acquisition is dependent on the performance of FIL after the DZJ Acquisition Completion and the results of the subsequent impairment assessment of the goodwill to be recognised by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON FIL

DZJ, was established on August 13, 1998. In order to expand the retail store network and geographical coverage of the Group in the PRC, the Group formed a joint venture company, FIL, which was incorporated in the British Virgin Islands on May 23, 2006 with limited liability. DZJ was later transformed into a foreign-invested enterprise. DZJ's results were consolidated into FIL's accounts only from August 1, 2006 after DZJ became a wholly-owned subsidiary of FIL. The financial information for the period ended September 30, 2006 included in the accountants' report on FIL in Appendix II reflects the financial performance of FIL from its incorporation date of May 23, 2006 to September 30, 2006. As such, the financial results of FIL for the period ended September 30, 2006 and the year ended September 30, 2007 are not comparable.

The financial information of FIL as set out in Appendix II to this circular is summarised below:

	From May 23, 2006 (date of incorporation) to September 30, 2006	**Year ended September 30, 2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Revenue	9,264	96,704	240,402
Cost of sales	(7,147)	(72,052)	(176,478)
Gross profit	2,117	24,652	63,924
Other income	89	565	1,271
Selling and distribution expenses	(1,696)	(18,165)	(32,095)
Administrative expenses	(199)	(3,020)	(3,625)
Interest on bank borrowings wholly repayable within five years	(34)	(305)	(1,233)
Profit before taxation	277	3,727	28,242
Income tax expense	(97)	(1,249)	(9,232)
Profit for the period/year	180	2,478	19,010

FIL's revenue for the financial year ended September 30, 2008 was approximately US$240.4 million, representing an increase of 148.6% from approximately US$96.7 million for the financial year ended September 30, 2007. The increase was primarily driven by an increase in revenue from its retail and wholesale businesses due to FIL's retail network expansion. The number of FIL's directly operated retail outlets increased to 464 as at September 30, 2008 from 216 as at September 30, 2007, and the number of retail outlets operated by FIL's retail sub-distributors increased to 655 as at September 30, 2008 from 308 as at September 30, 2007.

Revenue for the period ended September 30, 2006 was approximately US$9.3 million.

Cost of sales for the financial year ended September 30, 2008 was approximately US$176.5 million, representing an increase of 144.9% from approximately US$72.1 million for the financial year ended September 30, 2007, in line with revenue growth. Gross profit for the financial year ended September 30, 2008 was approximately US$63.9 million, representing an increase of 159.3% from approximately US$24.7 million for the financial year ended September 30, 2007. Gross margin increased to 26.6% for the financial year ended September 30, 2008 from 25.5% for the financial year ended September 30, 2007, primarily due to an increase in purchase discounts from brand companies enjoyed by FIL due to its increase in business scale.

Cost of sales for the period ended September 30, 2006 was approximately US$7.1 million. Gross profit for the period ended September 30, 2006 was approximately US$2.1 million. Gross profit margin for the period ended September 30, 2006 was 22.9%.

Other income for the financial year ended September 30, 2008 was approximately US$1.3 million, representing an increase of 125.0% from approximately US$0.6 million for the financial year ended September 30, 2007. The increase was primarily due to increases in discounts received from suppliers, leasing income received from sports complexes, as well as management fee from retail shops.

Other income for the period ended September 30, 2006 was approximately US$0.1 million.

Selling and distribution expenses for the financial year ended September 30, 2008 were approximately US$32.1 million, representing an increase of 76.7% from approximately US$18.2 million for the financial year ended September 30, 2007. The increase was primarily attributable to increases in rental expenses, staff costs, as well as depreciation and amortisation expenses, driven by increase in business scale.

Selling and distribution expenses for the period ended September 30, 2006 were approximately US$1.7 million.

Administrative expenses also increased by 20.0% to approximately US$3.6 million for the financial year ended September 30, 2008, from approximately US$3.0 million for the financial year ended September 30, 2007, primarily due to increases in staff costs, auditors' remuneration, as well as general expenses.

Administrative expenses for the period ended September 30, 2006 were approximately US$0.2 million.

Interest on bank borrowings wholly repayable within five years for the financial year ended September 30, 2008 was approximately US$1.2 million, which increased from approximately US$0.3 million for the financial year ended September 30, 2007. The increase was primarily as a result of an increase in the amount of the average monthly outstanding borrowings during the financial year ended September 30, 2008 together with an increase in effective borrowing costs.

Interest on bank borrowings wholly repayable within five years for the period ended September 30, 2006 was approximately US$0.03 million.

As a result of the factors discussed above, profit before taxation increased by 657.8% to approximately US$28.2 million for the financial year ended September 30, 2008, from approximately US$3.7 million for the financial year ended September 30, 2007.

Profit before taxation for the period ended September 30, 2006 was approximately US$0.3 million.

Income tax expense for the financial year ended September 30, 2008 was approximately US$9.2 million, which increased from approximately US$1.2 million for the financial year ended September 30, 2007, primarily as a result of the increase in profit before taxation. The effective tax rate decreased to 32.7% for the financial year ended September 30, 2008 from 33.5% for the financial year ended September 30, 2007.

Income tax expense for the period ended September 30, 2006 was approximately US$0.1 million.

As a result of the factors discussed above, profit for the financial year ended September 30, 2008 was approximately US$19.0 million, representing an increase of 667.2% from approximately US$2.5 million for the financial year ended September 30, 2007. Net margin increased to 7.9% for the financial year ended September 30, 2008 from 2.6% for the financial year ended September 30, 2007, primarily due to an increased gross margin as well as better operational efficiency achieved mainly in rental expenses and staff costs through economies of scale.

Profit for the period ended September 30, 2006 was approximately US$0.2 million.

FIL engages in the sportswear retailing business principally and sells sportswear products to customers directly. No segmental information is available. FIL does not maintain any order book.

FIL did not hold any significant investments for the financial period/year ended September 30, 2006, 2007 and 2008.

Save for the DZJ Acquisition, FIL did not conduct any material acquisitions and disposals for the financial period/year ended September 30, 2006, 2007 and 2008.

For the financial period/year ended September 30, 2006, 2007 and 2008 and as at the Latest Practicable Date, FIL did not have any plans for material investments or capital assets.

Capital structure, financial resources and liquidity

As FIL underwent substantial growth in the past three financial period/years, it met its capital requirements primarily from cash flows from financing activities. FIL's capital requirements relate primarily to retail network expansion through new store openings and inventory purchases.

FIL's cash and cash equivalents as at September 30, 2008 were approximately US$8.1 million, which increased by approximately US$5.4 million from approximately US$2.7 million as at September 30, 2007, as a result of a cash inflow from financing activities of approximately US$15.8 million, less a cash outflow from operating activities of approximately US$4.4 million and a cash outflow from investing activities of approximately US$5.8 million for the financial year ended September 30, 2008.

For the financial year ended September 30, 2007, cash and cash equivalents decreased by approximately US$6.5 million, as a result of a cash inflow from financing activities of approximately US$4.0 million, less a cash outflow from operating activities of approximately US$3.4 million and a cash outflow from investing activities of approximately US$7.1 million.

For the period ended September 30, 2006, cash and cash equivalents increased by approximately US$9.1 million, as a result of a cash inflow from financing activities of approximately US$10.2 million and a cash inflow from investing activities of approximately US$1.1 million, less a cash outflow from operating activities of approximately US$2.2 million.

As at September 30, 2006, 2007 and 2008, FIL's current ratio was 125.7%, 117.6% and 134.5% respectively. FIL's working capital increased by 17.2% from approximately US$4.0 million as at September 30, 2006 to approximately US$4.7 million as at September 30, 2007, and then increased by 423.4% to approximately US$24.6 million as at September 30, 2008.

As at September 30, 2006, 2007 and 2008, FIL's gearing ratio (total borrowings divided by total assets) was 27.1%, 23.0% and 16.7% respectively. FIL's total borrowings increased by 48.2% from approximately US$5.8 million as at September 30, 2006 to approximately US$8.6 million as at September 30, 2007, and then increased by 103.2% to approximately US$17.5 million as at September 30, 2008. The borrowings were primarily raised to fund capital requirements for retail network expansion through new store openings and inventory purchases.

FIL had no exposure to fluctuations in exchange rates and any related hedges for the financial period/year ended September 30, 2006, 2007 and 2008.

As at September 30, 2006, 2007 and 2008, FIL had no material contingent liability.

Employees and Remuneration

The total number of employees of FIL as at September 30, 2006, 2007 and 2008 was 1,126, 2,806 and 3,745 respectively. Total remuneration paid to employees for the financial period/year ended September 30, 2006, 2007 and 2008 was approximately US$0.5 million, US$5.7 million and US$9.4 million respectively. In addition to the mandatory retirement funds, insurance and medical coverage, FIL also offers training programs to its employees.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group

The Group is a leading sportswear retailer in the PRC and directly operated 2,118 retail outlets in Greater China as at September 30, 2008. The majority of the Group's retail outlets are mono-brand stores, which it operates under the brand name of the sportswear products being distributed, with the Group's "*YY Sports*" logo also displayed. The Group distributes sportswear products for some of the leading international and domestic sportswear brands in the PRC, offering a wide range of sports footwear, apparel and accessories. The Group's brand portfolio includes leading international and domestic brands such as *Nike, Adidas, Li Ning, Kappa, Reebok, PUMA, Converse, Hush Puppies, Nautica, Wolverine* and *Asics*. The Group continuously seeks to add new brands to its portfolio that appeal to consumer tastes in the PRC in its retail business and brand licensee business.

For the year ended September 30, 2008, the Group achieved a 72.6% growth in revenue from approximately US$555.9 million to approximately US$959.5 million. Profit attributable to equity holders reached US$70.0 million, representing an increase of 119.3% over the previous year. As at September 30, 2008, cash and cash equivalents of the Group amounted to approximately US$183.3 million and total borrowings amounted to approximately US$312.1 million. As at September 30, 2008, the Group's net asset value was US$662.3 million.

The Enlarged Group

The Group believes that the DZJ Acquisition is in line with the Group's strategy and it will bring synergy to the business of the Enlarged Group. FIL operates 464 stores in 6 provinces and municipalities directly under the central government in the PRC. The DZJ Acquisition enables the Company to consolidate the financial results of FIL as FIL will become a wholly-owned subsidiary of the Company and enables the Enlarged Group to capture a larger share of the growth and profitability of FIL. The DZJ Acquisition will also allow the Enlarged Group to benefit from economies of scale by increasing purchasing power and potential integration of procurement and supply chain management functions. The DZJ Acquisition is also expected to strengthen the Enlarged Group's position as a leading PRC sportswear retailer.

In conclusion, the Directors consider that the DZJ Acquisition will have a positive impact on the earnings of the Enlarged Group in the long-term future.

LISTING RULES IMPLICATIONS

Major and connected transaction for the Company

DZJ Acquisition

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 25% but are less than 100%, the DZJ Acquisition constitutes a major transaction for the Company for the purpose of Chapter 14 of the Listing Rules. The DZJ Acquisition is subject to the approval of the Shareholders. Since (i) Yue Yuen is a controlling shareholder of the Company holding approximately 55.7% of the issued shares in the Company at the Latest Practicable Date, and (ii) no Shareholder would be required to abstain from voting at a general meeting of the Company for the approval of the DZJ Acquisition, a written shareholders' approval of Yue Yuen may be accepted in lieu of holding a general meeting for the Company under Rule 14.44 of the Listing Rules. Yue Yuen's written approval of the DZJ Acquisition has been obtained for that purpose.

Yue Yuen Subscription

As Yue Yuen is a connected person of the Company under the Listing Rules, the Yue Yuen Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Yue Yuen is a connected person of the Company having a material interest in the Yue Yuen Subscription, Yue Yuen and its associates will be required under Rule 14.46 of the Listing Rules to abstain from voting at the SGM on the Yue Yuen Subscription. CIMB-GK Securities (HK) Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Yue Yuen Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, in compliance with Rule 13.39(6)(b) of the Listing Rules.

SGM

A notice convening the SGM to be held at Ballroom B, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on February 27, 2009, Friday at 10:30 a.m. or, if later, immediately following the adjournment or conclusion of the annual general meeting of the Company which is convened to be held at 10:00 a.m. for the same date and place at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Yue Yuen Subscription Agreement and the issue and allotment of Subscription Shares to Yue Yuen is set out on pages 154 to 155 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrars, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjournment thereof, should you so wish.

RECOMMENDATION

The Directors (including Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Mak Kin Kwong, Mr. Cheng Ming Fun Paul, all being independent non-executive Directors of the Company, who have expressed their views in the letter from the Independent Board Committee set out on page 22 of this circular) believe that the Yue Yuen Subscription is in the interests of the Company and the Shareholders as a whole and the terms and conditions of the Yue Yuen Subscription Agreement are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Yue Yuen Subscription Agreement and to approve the issue and allotment of the Subscription Shares to Yue Yuen pursuant to the terms thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee and the letter of advice from CIMB-GK Securities (HK) Limited to the Independent Board Committee and the Independent Shareholders included in this circular.

By Order of the board of
Pou Sheng International (Holdings) Limited
David N. F. Tsai
Chairman

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the Yue Yuen Subscription.

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶 勝 國 際（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

February 4, 2009

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated February 4, 2009 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the entering into of the Yue Yuen Subscription Agreement between Yue Yuen and the Company constitutes a connected transaction for the Company and is thus subject to the approval of the Independent Shareholders at the SGM.

We have been appointed to advise you on the terms of the Yue Yuen Subscription Agreement. CIMB-GK Securities (HK) Limited has been appointed as the independent financial adviser to advise you and us in this regard. Details of the independent advice of CIMB-GK Securities (HK) Limited, together with the principal factors and reasons CIMB-GK Securities (HK) Limited has taken into consideration, are set out on pages 23 to 36 of the Circular.

Having considered the terms of the Yue Yuen Subscription Agreement and the advice of CIMB-GK Securities (HK) Limited in relation thereto, we are of the opinion that the terms of the Yue Yuen Subscription are fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and the Yue Yuen Subscription is in the interest of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Yue Yuen Subscription.

Yours faithfully,
For and on behalf of
Independent Board Committee
Chen Huan-Chung, Hu Sheng-Yih, Mak Kin Kwong, Cheng Ming Fun Paul
Independent non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from CIMB-GK Securities (HK) Limited in respect of the Yue Yuen Subscription Agreement, prepared for the purpose of inclusion in this circular.

CIMB

CIMB-GK Securities (HK) Limited

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

February 4, 2009

To the Independent Board Committee and the Independent Shareholders of
Pou Sheng International (Holdings) Limited

Dear Sirs,

CONNECTED TRANSACTION – ISSUE OF SHARES TO YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Yue Yuen Subscription, details of which are contained in the circular of the Company (the "**Circular**") to the Shareholders dated February 4, 2009, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On January 13, 2009, the Company entered into the Yue Yuen Subscription Agreement with Yue Yuen whereby the Company conditionally agreed to allot and issue and Yue Yuen conditionally agreed to subscribe for a total of 421,621,622 Subscription Shares, at the Subscription Price of HK$0.925 per Subscription Share or HK$390 million in aggregate.

Yue Yuen is the controlling shareholder of the Company, holding an approximately 55.7% interest in the Company as at the Latest Practicable Date, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Yue Yuen Subscription constitutes a connected transaction for the Company and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Yue Yuen has a material interest in the Yue Yuen Subscription, under Rule 14.46 of the Listing Rules, Yue Yuen and its associates will be required to abstain from voting on the Yue Yuen Subscription.

An independent board committee comprising Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Mak Kin Kwong and Mr. Cheng Ming Fun Paul, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Yue Yuen Subscription.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time when they were made and will remain true and accurate up to the date of the SGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Yue Yuen, or any of their respective subsidiaries or associates (as defined in the Listing Rules). We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company, and believe, that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

(I) Background of the Company

The Company is an investment holding company and is a subsidiary of Yue Yuen. It has been listed on the main board of the Stock Exchange since June 6, 2008, raising net proceeds of approximately US$316 million (equivalent to approximately HK$2,465 million). The Company with its subsidiaries (the "**Group**") is a leading sportswear retailer in the PRC engaged in retail business, brand licensee business, manufacturing business, and property leasing and management business.

The following is a summary of the audited consolidated financial information of the Group for the two years ended September 30, 2008 extracted from an announcement of the Company dated January 13, 2009 (the "**2008 Results Announcement**") in relation to the results of the Company for the year ended September 30, 2008 ("**FY2008**") .

Consolidated financial results

	For the year ended September 30,	
	2008	**2007**
	US$'000	*US$'000*
Revenue	959,548	555,903
Gross profit	344,364	201,010
Profit before taxation	100,464	58,418
Profit attributable to equity holders of the Company	70,024	31,927
Basic earnings per share *(US cents)*	2.9	2.4

The revenue of the Group has increased approximately 72.6% to US$959.5 million for FY2008 from US$555.9 million for the previous financial year. In line with the increase in revenue, the gross profit has increased approximately 71.3% to US$344.4 million for FY2008 from US$201.0 million for the previous financial year. Profit attributable to equity holders of the Company has increased substantially from US$31.9 million to US$70.0 million for FY2008, representing an increase of approximately 119.3%.

Consolidated balance sheet items

	As at September 30,	
	2008	**2007**
	US$'000	*US$'000*
Non-current assets	415,672	228,282
Pledged bank deposits and cash and bank balance	185,590	90,936
Other current assets	536,144	234,712
Total assets	1,137,406	553,930
Short-term bank borrowings and bank overdrafts	306,288	105,327
Other current liabilities	159,922	235,941
Long-term bank borrowings	5,843	25,273
Other non-current liabilities	3,044	–
Total liabilities	475,097	366,541
Equity attributable to equity holders of the Company	645,716	138,417
Minority interest	16,593	48,972

We note from the 2008 Results Announcement that the Group's total borrowings as at September 30, 2008 increased by approximately 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 substantial increase in total equity and the cash and bank balance was principally attributable to the receipt of the listing proceeds of approximately US$316 million in June 2008.

As at September 30, 2008, the Company was in a net debt position of approximately US$126.5 million (being the total bank borrowings less the total pledged deposits and cash and bank balance) and had a gearing ratio of approximately 47.1% (being the total bank borrowings of approximately US$312.1 million divided by consolidated net assets of approximately US$662.3 million). In particular, among the total bank borrowings of approximately US$312.1 million as at September 30, 2008, approximately US$306.3 million were short-term bank borrowings repayable within one year.

We also note from the 2008 Results Announcement that the Company had an aggregate capital commitment of approximately US$27.9 million.

(II) The Yue Yuen Subscription Agreement

On January 13, 2009, the Company entered into the Yue Yuen Subscription Agreement with Yue Yuen whereby the Company conditionally agreed to allot and issue and Yue Yuen conditionally agreed to subscribe for a total of 421,621,622 Subscription Shares, at the Subscription Price of HK$0.925 per new Share, representing a premium of approximately 10.1% over the closing price of HK$0.84 of Pou Sheng as at the January 12, 2009, being the last trading day immediately before the date of the Yue Yuen Subscription Agreement (the "**Last Trading Day**"). The Subscription Shares represent approximately 11.8% of the existing issued share capital of Pou Sheng and approximately 10.6% of the issued share capital of Pou Sheng as enlarged by the issue of the Subscription Shares.

Yue Yuen is a controlling shareholder of Pou Sheng, holding an approximately 55.7% interest in Pou Sheng as at the Latest Practicable Date.

On January 13, 2009, the Company, the Vendor and FIL entered into the DZJ Acquisition Agreement whereby among other things, the Company has conditionally agreed to purchase (or procure its nominee to purchase) and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of approximately HK$792.6 million. The Consideration consists of (i) cash in the amount of US$54,946,359 (equivalent to approximately HK$428,581,600) (the "**DZJ Cash Consideration**") payable at the DZJ Acquisition Completion; and (ii) 393,584,541 new Consideration Shares at an issue price of HK$0.925 per Consideration Share.

The Yue Yuen Subscription is conditional on all conditions under the DZJ Acquisition Agreement having been fulfilled or waived but the DZJ Acquisition Agreement is not conditional on the Yue Yuen Subscription. The Yue Yuen Subscription Completion will take place immediately before the issue and allotment of Consideration Shares.

Details of the DZJ Acquisition Agreement and the Yue Yuen Subscription Agreement are set out in the Letter from the Board.

(III) Reasons for and benefits of entering into of the Yue Yuen Subscription Agreement

As noted from the letter from the Board, the Board considers that the Yue Yuen Subscription represents an opportunity to raise additional capital for the Company and to strengthen the financial position of the Company. The Company intends to apply the net proceeds from the Yue Yuen Subscription of approximately HK$390 million, for the partial settlement of the DZJ Cash Consideration of approximately HK$428.6 million. Accordingly, the cash and bank balance of the Company will not be materially affected by the payment of the DZJ Cash Consideration.

We note from the 2008 Results Announcement that as at September 30, 2008, the Company had unrestricted cash and bank balance of approximately US$183.3 million. In this regard, we have discussed with the management of the Group regarding the funding requirement for the Group's development and the utilisation of the existing internal resources and the net proceeds from the Yue Yuen Subscription. We note that the Directors have principally taken into account (i) the expected capital expenditures regarding the expansion of retail outlet and the related expenditures; (ii) the required general working capital for the Group's current operations; (iii) the net debt position of the Group of approximately US$126.5

million as at September 30, 2008, in particular, the balance of the Group's short term bank borrowings of approximately US$306.3 million as at September 30, 2008; and (iv) the Company's aggregate capital commitment of approximately US$27.9 million as at September 30, 2008. Having considered the above factors and the subprime mortgage crisis originating from the United States of America which has spread to Asia causing a squeeze in liquidity in the banking system and financial markets, the Company believes that it is prudent to preserve its cash reserve.

In addition, we note from the Prospectus that, except for DZJ (one of the 16 Regional Joint Venture (as defined in the Prospectus)), the Company had entered into the call option agreements with the remaining 15 Regional Joint Venture partners. Each call option agreement allows the Company to acquire the relevant interests in the Regional Joint Venture at the consideration determined by a pre-set formula and such consideration will be settled in full by the issue of Shares. As advised by the management of the Company, it is always the Company's intention to expand the Group's sales network through the acquisition of additional interests in the Regional Joint Ventures by the issue of Shares only. As regards to DZJ, the Company has not entered into a call option agreement with the joint venture partner of DZJ which allows the Company to acquire the remaining interest in DZJ for a consideration to be settled fully by Shares. As advised by the Directors, the terms of the DZJ Acquisition including the Consideration and the "part-cash part-Shares" payment method were arrived at after arm's length negotiations between the parties. Given the requirement to pay for the DZJ Cash Consideration of approximately HK$428.6 million, the Directors consider that the proceeds from the Yue Yuen Subscription will help the Group to preserve its cash reserve and hence maintains its liquidity and gearing position.

Based on our discussion with the management of the Company, the Company has also considered other financing means through the capital market (including an open offer, rights issue or placing) or bank borrowings to finance the DZJ Cash Consideration. Due to the worldwide financial turmoil, the market condition has substantially changed as compared to that of when the Company listed on the main board of Stock Exchange in June 2008. After considering (i) the current liquidity squeeze in the banking system and financial markets as a result of the current global financial crisis that makes bank borrowings difficult and costly; (ii) underwriting uncertainty and market risk associated with an open offer, rights issue or placing under such market condition; (iii) the fact that the issue price of the Shares for an open offer, rights issue or placing, if such can be arranged, is likely to be at a substantial discount to the market price of the Shares; and (iv) any arm's length underwriting is normally subject to standard force majeure clauses in favour of the underwriter(s), the management considers that the Yue Yuen Subscription is a more appropriate means of financing the DZJ Cash Consideration as compared with other financing means through the capital market or bank borrowings.

Our view

Having considered (i) the net debt position of the Company and the funding requirement for the Group's development; (ii) that the Yue Yuen Subscription represents an opportunity for the Company to raise funds; (iii) the fact that the proceeds from the Yue Yuen Subscription allows the Group to preserve its cash reserve in view of the requirement to pay for the DZJ Cash Consideration of approximately HK$428.6 million and hence maintains its liquidity and gearing position; and (iv) that the Yue Yuen Subscription is considered a more appropriate financing means under the current market condition, we concur with the Directors' view that the Yue Yuen Subscription is in the interest of the Company and the Shareholders as a whole.

(IV) The Subscription Price

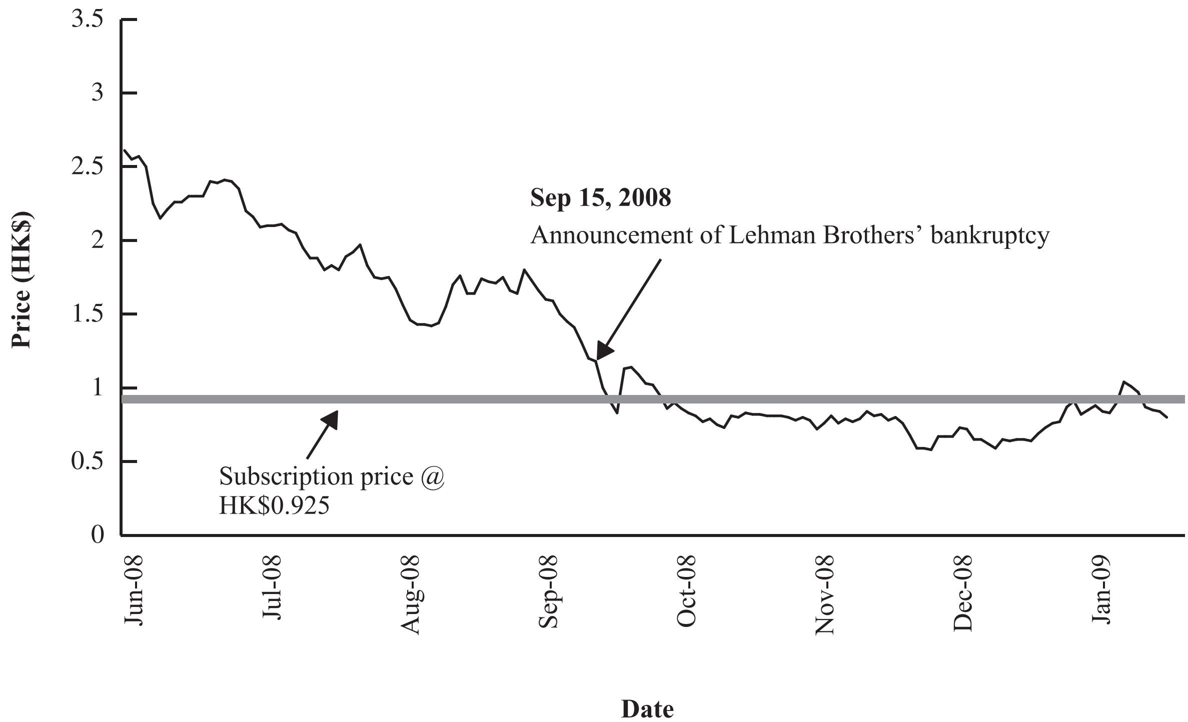
The Subscription Price of HK$0.925 per Subscription Share was determined after arm's length negotiations with reference to the prevailing market prices of the Shares and it represents:

		Price/value per Share approximate *HK$*	Premium/ (discount) approximate *%*
a.	the issue price of the Consideration Shares	0.925	–
b.	the closing price as quoted on the Stock Exchange at the date of the Yue Yuen Subscription Agreement	0.80	15.6
c.	the closing price as quoted on the Stock Exchange at the Last Trading Day	0.84	10.1
d.	the average closing price per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day	0.91	1.6
e.	the average closing price per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day	0.90	2.8
f.	the average closing price per Share as quoted on the Stock Exchange for the last thirty (30) days up to and including the Last Trading Day	0.78	18.6
g.	The audited consolidated net tangible assets value as at September 30, 2008 of approximately US$662.3 million less goodwill and derivative financial instruments of approximately US$61.8 million divided by 3,567,559,000 Shares in issue.	1.31	(29.4)

(1) Share price performance

Set out below are the month/period end closing prices and average daily closing prices of the Shares for each month during the period from June 6, 2008, being the listing date of the Company, to the Last Trading Day:

Share price performance chart for Pou Sheng since IPO



	Month/period end closing price	Average daily closing price approximate
	HK$	*HK$*
2008		
June (listed on June 6, 2008)	2.40	2.41
July	1.75	1.96
August	1.80	1.62
September	0.90	1.21
October	0.76	0.79
November	0.73	0.73
December	0.83	0.73
2009		
January (up to the date of the Yue Yuen Subscription Agreement)	0.80	0.91

Source: Bloomberg

The average daily closing prices of the Shares had been in a range of approximately HK$0.73 to approximately HK$2.41 during the period from June 6, 2008 to the date of the Yue Yuen Subscription Agreement. The traded price of the Shares hit a high of HK$2.98 on June 6, 2008, being the first trading date of the Shares of the Company, and a low of HK$0.53 on November 20, 2008. The month/period end closing price was in a range of HK$0.73 for November 2008 to HK$2.40 for June 2008. Since June 2008, the historical price of the Shares has experienced a downward trend. The highest daily closing price of HK$2.61 during the period represented approximately 350.0% of the lowest daily closing price of HK$0.58. As noted in the price chart above, save for a three-day period in early January 2009, the Subscription Price of HK$0.925 is higher than the highest closing price of the Shares since early October 2008.

(2) Market comparables

In order to assess the fairness and reasonableness of the Subscription Price, we compared the premium of the Subscription Price over the Share price with those placing/subscription price under the recent transactions involving the placing or subscription of shares conducted by companies listed on the main board of the Stock Exchange. Since market sentiment is an important factor in the determination of the placing/subscription price, we have selected, to our best knowledge, latest share placements or subscriptions with gross proceeds not less than HK$50 million since September 1, 2008 up to the date of the Yue Yuen Subscription Agreement as of January 13, 2009 (the "**Market Comparables**") for comparison purpose. The details of the nine Market Comparables are set out in the following table:

Date of Announcement	**Company**	**Gross proceeds**	**Premium/ (discount) of placing/ subscription price over/ to the last trading price**	**Premium/ (discount) of placing/ subscription price over/ to 5 day average price**	**Premium/ (discount) of placing/ subscription price over/ to 10 day average price**
		HK$' million	%	%	%
Jan-6-2009	Town Health International Holdings Limited	68.0	(16.7)	(15.7)	(16.2)
Dec-29-2008 Note(1)	China Eastern Airlines Corporation Limited	738.3	(12.1)	(6.0)	1.6
Dec-16-2008	Wing Shan International Limited	70.0	(26.8)	(25.4)	(22.1)
Nov-10-2008	Semiconductor Manufacturing International Corporation	1,331.7	115.6 Note(2)	148.3 Note(2)	153.5 Note(2)
Sep-29-2008	BYD Company Limited	1,800.0	(4.8)	(1.4)	(3.3)
Sep-25-2008	Town Health International Holdings Limited	136.0	(11.1)	(17.7)	(21.6)
Sep-23-2008	DORE Holding Limited	59.1	(14.6)	(13.3)	–
Sep-17-2008	Hong Kong Health Check and Laboratory Holdings Company Limited	1,500.0	(8.9)	0.0	6.6
Sep-2-2008	VST Holdings Limited	111.8	3.1	2.0	4.2
	High		3.1	2.0	6.6
	Low		(26.8)	(25.4)	(22.1)
	Mean		(11.5)	(9.7)	(6.4)
	The Yue Yuen Subscription	**390.0**	**10.1**	**1.6**	**2.8**

Notes:

(1) Based on the announcement made by China Eastern Airlines Corporation Limited on December 29, 2008.

(2) Considered as an outlier due to the exceptionally high premium and therefore excluded from the high/low/mean calculation.

As indicated above, the placing/subscription prices of the Market Comparables ranged from (i) a discount of 26.8% to a premium of 3.1% to the closing price of the last trading day immediately prior to the respective date of announcement; (ii) a discount of approximately 25.4% to a premium of 2.0% for the last five (5) trading days up to and including the last trading day immediately prior to the respective date of announcement; (iii) a discount of approximately 22.1% to a premium of 6.6% for the last ten (10) trading days up to and including the last trading day immediately prior to the respective date of announcement.

The premiums of the Subscription Price are all above that of the average of the Market Comparables.

(3) Comparable companies

For the purpose of comparison and after discussion with the Directors and the management of the Company, we have also assessed the reasonableness of the Subscription Price by comparing the financial statistics of the Company with that of the selected listed companies (the "**Comparable Companies**"), listed on the main board of the Stock Exchange, whose business activities are, in our view, broadly comparable or similar to the core business activities of the Company. A description and selected financial figures and ratios of the Comparable Companies' business activities are set out in the table below.

It should be noted that there may not be any company that is directly comparable to the Company in terms of business activities, size of operations, asset base, geographical spread of activities, geographical markets, track record, future prospects and other relevant criteria. Any comparison made with respect to the Comparable Companies is therefore intended to serve as an illustrative guide only.

Name	Stock code	Principal business	Market capitalisation *HK$' million*	Price-earnings multiple *(times)* *Note 1*	Net profit margin *%* *Note 2*	Net cash (debt) position *HK$' million* *Note 2*	Gearing ratio *%* *Note 2*
Anta Sports Products Limited	2020	Designs, develops, manufactures and markets sportswear, including sports footwear and apparel for professionals and the general public under its ANTA brand	9,213.0	10.4	16.9	3,661.5	–
Walker Group Holdings Limited	1386	Designs and sells a range of footwear products including casual, smart casual and sports casual footwear	367.3	3.7	10.2	462.2	–
Li Ning Company Limited	2331	Design, manufacturing, distribution and retail of its own footwear, apparel and accessories for sports and leisure use	12,159.0	17.5	10.9	861.9	5.7
Belle International Holdings Limited	1880	Manufacture, distribution and sales of shoes and footwear products, and sales of sportswear products	26,989.6	12.1	17.0	5,677.4	1.7
Daphne International Holdings Limited	210	Manufacture and sales of footwear products, shoe components and materials	2,358.6	5.1	10.0	(13.3)	13.9
Le Saunda Holdings Limited	738	Manufacture, trading, merchandising, and retailing of shoes, property holdings	415.4	4.1	9.8	282.9	–

Name	Stock code	Principal business	Market capitalisation *HK$' million*	Price-earnings multiple *(times)* *Note 1*	Net profit margin *%* *Note 2*	Net cash (debt) position *HK$' million* *Note 2*	Gearing ratio *%* *Note 2*
Xtep International Holdings Limited ("Xtep")	1368	Design, development, manufacture and marketing of sportswear, including footwear, apparel and accessory products, sold under the Xtep brand and the Koling brand	3,718.0	9.9	16.3	2,116.0	9.4
		High		17.5	17.0		
		Low		3.7	9.8		
		Average		9.0	13.0		
Pou Sheng	3813	Distribute and retail sportswear and footwear products in the PRC, Hong Kong, Macau and Taiwan	2,854.0	3.6[Note 3]	8.3	(987.0)	47.1
As implied by the Subscription Price				4.09[Note 4]			

Notes:

1. Data regarding the price-earnings multiples ("**P/E**") of the Comparable Companies are sourced from Bloomberg as at January 13, 2009, being the date of the Yue Yuen Subscription Agreement.

2. Based on the latest annual reports published by the Comparable Companies. For Xtep, the net cash position and gearing ratio figures are based on the latest published interim report as Xtep has not yet published an annual report since its listing in May 2008.

3. The P/E of Pou Sheng is calculated based on the closing price on the date of the Yue Yuen Subscription Agreement and the audited net profit of Pou Sheng for the financial year ended September 30, 2008.

4. The implied P/E of Pou Sheng is calculated based on the Subscription Price and the audited net profit of Pou Sheng for the financial year ended September, 30 2008.

We note that the P/E as implied by the Subscription Price is below the average P/E of the Comparable Companies. We also note the Company has the lowest net profit margin, the highest gearing ratio and with a net debt position substantially higher than its peers. In fact, among the seven Comparable Companies, only Daphne International Holdings Ltd. was in net debt position of approximately HK$13.3 million as compared to a net debt position of the Company of approximately HK$987.0 million.

In light of the substantial difference in various financial statistics of the Company as compared with the Comparable Companies, we are of the view that it is not meaningful to compare the PE as implied by the Subscription Price with the average P/E of the Comparable Companies.

Our view

Having considered that (i) the Subscription Price represents a premium of the market price of the Shares; and (ii) the relevant subscription prices for the Market Comparables were at a discount to their respective share price on average, we concur with the view of the Directors that the Subscription Price is fair and reasonable.

(V) Possible Financial Effects

Working capital

Based on audited consolidated financial information of the Group as extracted from 2008 Results Announcement of the Company, the Company had net working capital of approximately US$255.5 million including current asset of approximately US$721.7 million and current liabilities of approximately US$466.2 million as at September 30, 2008. Assuming the factors which may affect its working capital position remain unchanged, the working capital of the Company will be immediately enhanced as a result of the increase in its cash and bank balances of approximately HK$390 million received upon the Yue Yuen Subscription Completion. Therefore, we are of the view that the Yue Yuen Subscription is favourable to the working capital position of the Group.

Net asset value

The Subscription Price of HK$0.925 per Subscription Share represents a discount of approximately 29.4% over the audited consolidated net tangible asset value per Share excluding goodwill and derivative financial instruments positions as at September 30, 2008 of approximately HK$1.31. As a result of the Yue Yuen Subscription, the net tangible asset value per Share would be diluted by HK$0.04 per Share or approximately 3.1%. Taking into account the merits of the Yue Yuen Subscription, and the fact that the Subscription Price is at a premium to the market price, we are of the view that the dilution is acceptable.

(VI) Dilution in the shareholding

Based on the shareholding structure of the Company as set out in the letter from the Board, as at the Latest Practicable Date, 928,418,000 Shares were held by public Shareholders, representing approximately 26.0% of the issued share capital of the Company. The Yue Yuen Subscription will take place immediately before the issue and allotment of Consideration Shares, as a result of which the shareholding interest of the public Shareholders will be diluted to approximately 23.2% of the issued shares in Pou Sheng before the Consideration Shares are issued and allotted.

Shareholders should note that they would face a similar level of dilution if (i) a placing of a similar size of the Yue Yuen Subscription took place instead of the Yue Yuen Subscription; or (ii) a rights issue or an open offer is proceeded and the public Shareholders do not subscribe for the offer shares in full (under the rights issue or the open offer) according to their entitlements.

Our view

Having considered that (i) the Yue Yuen Subscription represents an opportunity for fund raising; (ii) the net debt position of the Company and the funding requirement for the Group's development; and (iii) the proceeds from the Yue Yuen Subscription allows the Group to preserve its cash reserve in view of the requirement to pay for the DZJ Cash Consideration of approximately HK$428.6 million and hence maintains its liquidity and gearing position, we consider that the dilution effect on the shareholdings is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the entering into of the Yue Yuen Subscription Agreement is in the ordinary and usual course of business of the Group and the terms of the Yue Yuen Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Yue Yuen Subscription.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau	**Heidi Cheng**
Director	*Director*
Head of Corporate Finance	

SUMMARY OF FINANCIAL INFORMATION FOR THE THREE YEARS ENDED SEPTEMBER 30, 2008

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended September 30, 2008 (extracted from the 2008 annual report of the Company and the Prospectus):

Consolidated Income Statement
For the year ended September 30

	2008	**2007**	**2006**
	US$'000	*US$'000*	*US$'000*
Revenue	959,548	555,903	372,960
Cost of sales	(615,184)	(354,893)	(233,793)
Gross profit	344,364	201,010	139,167
Other income	27,733	14,226	8,760
Selling and distribution expenses	(228,615)	(118,842)	(84,579)
Administrative expenses	(58,980)	(37,423)	(31,332)
Listing expenses	(6,631)	–	–
Fair value changes on derivative financial instruments	8,945	–	–
Finance costs	(17,643)	(3,710)	(3,750)
Share of results of associates	7,987	108	58
Share of results of jointly controlled entities	23,304	3,049	–
Profit before taxation	100,464	58,418	28,324
Income tax expense	(20,763)	(14,484)	(7,312)
Profit for the year	79,701	43,934	21,012
Attributable to:			
Equity holders of the Company	70,024	31,927	11,383
Minority interests	9,677	12,007	9,629
	79,701	43,934	21,012
Earnings per share			
– basic	2.9 US cents	2.4 US cents	3.3 US cents
– diluted	2.8 US cents	N/A	N/A

Consolidated Balance Sheet
At September 30

	2008	2007	2006
	US$'000	*US$'000*	*US$'000*
Non-current assets			
Property, plant and equipment	169,564	102,056	40,376
Deposit for acquisition of property, plant and equipment	22,447	13,286	–
Prepaid lease payments	15,772	5,169	2,336
Goodwill	2,101	2,101	–
Interests in associates	20,357	10,922	5,698
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	5,726
Deferred tax assets	1,908	–	–
	415,672	228,282	54,136
Current assets			
Inventories	250,623	112,375	59,802
Trade and other receivables	217,485	98,159	54,743
Rental deposits and prepayments	5,855	3,437	–
Prepaid lease payments	482	125	51
Taxation recoverable	154	–	–
Derivative financial instruments	59,744	–	–
Amounts due from related parties	1,801	20,616	1,257
Pledged bank deposits	2,337	–	–
Bank balances and cash	183,253	90,936	44,672
	721,734	325,648	160,525
Current liabilities			
Trade and other payables	151,275	114,458	55,212
Taxation payable	6,728	9,101	4,079
Amounts due to related parties	1,919	112,382	38,243
Bank borrowings	306,288	99,975	65,090
Bank overdrafts	–	5,352	375
	466,210	341,268	162,999
Net current assets (liabilities)	255,524	(15,620)	(2,474)
Total assets less current liabilities	671,196	212,662	51,662

	2008	2007	2006
	US$'000	*US$'000*	*US$'000*
Non-current liabilities			
Bank borrowings	5,843	25,273	–
Deferred tax liabilities	3,044	–	–
	8,887	25,273	–
	662,309	187,389	51,662
Capital and reserves			
Share capital and paid up capital	4,575	53,488	17,101
Reserves	641,141	84,929	19,267
Equity attributable to equity holders of the Company	645,716	138,417	36,368
Minority interests	16,593	48,972	15,294
Total equity	662,309	187,389	51,662

The Company had received unqualified opinion in relation to the financial statements of the Company for the three years ended September 30, 2008.

AUDITED FINANCIAL STATEMENTS

Set out below are the audited financial statements of the Group together with the notes thereto for each of the two years ended September 30, 2008, as extracted from the annual report of the Company for the year ended September 30, 2008:

Consolidated Income Statement

For the year ended September 30, 2008

	Notes	2008 US$'000	2007 US$'000
Revenue	5	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	19	8,945	–
Finance costs	6	(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	7	(20,763)	(14,484)
Profit for the year	8	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	10		
– basic		2.9 US cents	2.4 US cents
– diluted		2.8 US cents	N/A

Consolidated Balance Sheet
At September 30, 2008

	Notes	2008 US$'000	2007 US$'000
Non-current assets			
Property, plant and equipment	11	169,564	102,056
Deposit for acquisition of property, plant and equipment	12	22,447	13,286
Prepaid lease payments	13	15,772	5,169
Goodwill	14	2,101	2,101
Interests in associates	15	20,357	10,922
Loan to an associate	15	7,304	–
Interests in jointly controlled entities	16	65,207	33,036
Loans to jointly controlled entities	16	75,604	39,915
Rental deposits and prepayments		35,408	21,797
Deferred tax assets	26	1,908	–
		415,672	228,282
Current assets			
Inventories	17	250,623	112,375
Trade and other receivables	18	217,485	98,159
Rental deposits and prepayments		5,855	3,437
Prepaid lease payments	13	482	125
Taxation recoverable		154	–
Derivative financial instruments	19	59,744	–
Amounts due from related parties	20	1,801	20,616
Pledged bank deposits	21	2,337	–
Bank balances and cash	22	183,253	90,936
		721,734	325,648
Current liabilities			
Trade and other payables	23	151,275	114,458
Taxation payable		6,728	9,101
Amounts due to related parties	24	1,919	112,382
Bank borrowings	25	306,288	99,975
Bank overdrafts	22	–	5,352
		466,210	341,268
Net current assets (liabilities)		255,524	(15,620)
Total assets less current liabilities		671,196	212,662

	Notes	2008 US$'000	2007 US$'000
Non-current liabilities			
Bank borrowings	25	5,843	25,273
Deferred tax liabilities	26	3,044	–
		8,887	25,273
		662,309	187,389
Capital and reserves			
Share capital and paid up capital	27	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

Consolidated Statement of Changes in Equity

For the year ended September 30, 2008

	Equity attributable to equity holders of the Company										
	Share capital and paid up capital	Share premium	Special reserve	Other reserve	Share-based compensation reserve	Non-distributable reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(note 27)		(note (i))	(note (iii))		(note (ii))					
At October 1, 2006	17,101	–	–	–	–	2,325	1,945	14,997	36,368	15,294	51,662
Exchange difference arising on the translation of financial statements recognized directly in equity	–	–	–	–	–	–	2,954	–	2,954	1,545	4,499
Profit for the year	–	–	–	–	–	–	–	31,927	31,927	12,007	43,934
Total recognized income and expense for the year	–	–	–	–	–	–	2,954	31,927	34,881	13,552	48,433
Incorporation/establishment of subsidiaries	36,387	30,781	–	–	–	–	–	–	67,168	20,445	87,613
Acquisition of business	–	–	–	–	–	–	–	–	–	4,883	4,883
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(4,677)	(4,677)
Repatriation of capital	–	–	–	–	–	–	–	–	–	(160)	(160)
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	(365)	(365)
Transfer	–	–	–	–	–	4,130	–	(4,130)	–	–	–
At September 30, 2007	53,488	30,781	–	–	–	6,455	4,899	42,794	138,417	48,972	187,389
Exchange difference arising on the translation of financial statements recognized directly in equity	–	–	–	–	–	–	29,932	–	29,932	2,826	32,758
Profit for the year	–	–	–	–	–	–	–	70,024	70,024	9,677	79,701
Total recognized income and expense for the year	–	–	–	–	–	–	29,932	70,024	99,956	12,503	112,459
Incorporation/establishment of a subsidiary	12,000	–	–	–	–	–	–	–	12,000	–	12,000
Arising from the Group Reorganization	(65,488)	(30,781)	96,269	–	–	–	–	–	–	–	–
Issue of shares	1,189	361,254	–	–	–	–	–	–	362,443	–	362,443
Issue of shares for acquisition of additional interests in subsidiaries	12	255,865	–	(211,176)	–	–	–	–	44,701	(44,701)	–
Transaction costs attributable to issue of new shares	–	(12,507)	–	–	–	–	–	–	(12,507)	–	(12,507)
Issue of shares by capitalization of share premium account	3,374	(3,374)	–	–	–	–	–	–	–	–	–
Recognitiion of equity-settled share-based payments	–	–	–	–	706	–	–	–	706	–	706
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	(181)	(181)
Transfer	–	–	–	–	–	6,878	–	(6,878)	–	–	–
At September 30, 2008	4,575	601,238	96,269	(211,176)	706	13,333	34,831	105,940	645,716	16,593	662,309

Notes:

(i) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the Group Reorganization (as defined in Note 1).

(ii) According to the relevant laws in the People's Republic of China ("PRC"), wholly foreign-owned enterprises in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulation, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any. The non-distributable reserve fund is non-distributable other than upon liquidation.

(iii) The other reserve represents the difference between the fair value of the consideration paid and the relevant share of carrying value of the subsidiaries' net assets acquired from the minority interests.

Consolidated Cash Flow Statement
For the year ended September 30, 2008

	Note	2008 US$'000	2007 US$'000
OPERATING ACTIVITIES			
Profit before taxation		100,464	58,418
Adjustments for:			
Depreciation of property, plant and equipment		17,746	11,701
Impairment loss (reversal of impairment loss) recognized on trade receivables		85	(335)
Interest expense		17,643	3,710
Interest income		(4,073)	(1,067)
Loss on disposal of property, plant and equipment		766	25
Release of prepaid lease payments		257	51
Allowance (reversal of allowance) for inventories		297	(2,829)
Share of results of associates		(7,987)	(108)
Share of results of jointly controlled entities		(23,304)	(3,049)
Recognition of equity-settled share-based payments		706	–
Fair value changes on derivative financial instruments		(8,945)	–
Operating cash flows before movements in working capital		93,655	66,517
Increase in rental deposits and prepayments		(13,596)	(16,071)
Increase in inventories		(125,699)	(42,021)
Increase in trade and other receivables		(110,948)	(37,862)
Increase in trade and other payables		33,425	47,385
Cash (used in) generated from operations		(123,163)	17,948
Income tax paid		(20,782)	(9,462)
Interest income		4,073	1,067
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(139,872)	9,553

	Note	2008 US$'000	2007 US$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(77,193)	(68,195)
Advance to jointly controlled entities		(31,841)	(39,915)
Cash payment of call option premium		(16,104)	–
Additions of prepaid lease payments		(10,412)	(2,958)
Increase in deposit paid for acquisition of property, plant and equipment		(7,880)	(13,286)
Advance to an associate		(6,600)	–
Investments in jointly controlled entities		(4,187)	(29,717)
Increase in pledged bank deposits		(2,224)	–
Investments in associates		(326)	(4,916)
Repayment from (advance to) related parties		20,803	(19,359)
Proceeds from disposal of property, plant and equipment		1,019	538
Acquisition of business (net of cash and cash equivalents acquired)	29	–	(4,082)
Acquisition of additional interests in subsidiaries		–	(4,677)
NET CASH USED IN INVESTING ACTIVITIES		(134,945)	(186,567)

	2008	2007
	US$'000	*US$'000*
FINANCING ACTIVITIES		
New bank borrowings raised	572,329	245,216
Proceeds from issue of shares	328,921	–
Incorporation/establishment of subsidiaries	12,000	67,168
Repayment of bank borrowings	(400,145)	(185,058)
(Repayment of) advances from related parties	(116,297)	74,139
Interest paid	(19,573)	(3,710)
Payment of shares issued expenses	(12,507)	–
Dividend paid to a minority shareholder of a subsidiary	(181)	(365)
Capital contributed by minority shareholders of subsidiaries	–	20,445
Repatriation of capital by minority shareholders of subsidiaries	–	(160)
NET CASH FROM FINANCING ACTIVITIES	364,547	217,675
NET INCREASE IN CASH AND CASH EQUIVALENTS	89,730	40,661
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7,939	626
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	85,584	44,297
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	183,253	85,584
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	183,253	90,936
Bank overdrafts	–	(5,352)
	183,253	85,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2008

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 Company and its subsidiaries (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 set out in Note 5.

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 affect 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 of the Company 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 of the Company 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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Purchase accounting for business combinations not involving entities under common control

The acquisition of business, other than those involving entities under common control, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Capitalized goodwill arising on an acquisition of a subsidiary is carried at cost less any accumulated impairment losses and is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Changes in equity interest in subsidiaries

The Group regards the acquisition/disposal of partial equity interest of subsidiaries from minority shareholders without changes in control as transactions with equity owners of the Group. When additional equity interest in a subsidiary is acquired, any difference between the consideration paid and the relevant share of the carrying value of the subsidiary's net assets acquired is recorded in equity (other reserve). When partial equity interest in a subsidiary is disposed to minority interest, any difference between the proceeds received and the relevant share of minority interest is also recorded in equity (other reserve).

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of discount and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

Service income is recognized when services are provided.

Rental income, including rentals invoiced in advance, from land and buildings under operating lease is recognized on a straight line basis over the period of the respective leases.

Interest income from financial assets are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using either the straight line method or reducing balance method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Foreign currencies

In preparing the financial statements of the individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated from their functional currencies into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the relevant foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are recognized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for recognition.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the respective balance sheet dates.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease terms on a straight-line basis.

The Group as lessor

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the year in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL").

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, loans to an associate and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, amounts due to related companies and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Derivative financial instruments

A derivatives is initially recognized at fair value at the date a derivative contract is entered into and is subsequently remeasured to its fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Retirement Benefit Scheme

Payments to defined contribution retirement benefit plan, state managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Impairment on assets (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized as income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of the subscription rights for shares at a discount under the pre-IPO share subscription plan at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At each balance sheet date, the Group revises its estimates of the number of subscription rights for shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share-based compensation reserve.

At the time when the subscription right for shares are exercised, the amount previously recognized in share-based compensation reserve will be transferred to share premium. When the subscription rights for shares are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based compensation reserve will be transferred to accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Impairment loss for inventories

The management of the Group reviews the aging of the inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realizable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by product basis at each balance sheet date and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at September 30, 2008, the carrying amount of inventories was US$250,623,000 (2007: US$112,375,000) (net of allowance for inventories of US$2,313,000 (2007: US$2,016,000)).

(ii) Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at September 30, 2008, the carrying amount of trade receivable was US$137,664,000 (2007: US$67,150,000) (net of allowance for doubtful debts of US$314,000 (2007: US$229,000)).

(iii) Fair value of Call Options

Measurements of the fair value of the Call Options (as detailed in Note 19) require the use of variables and assumptions including (i) the underlying value of the Relevant Equity Interests, (ii) the profitability of the Company and the Relevant Companies and (iii) the share price of the Company. The carrying amount of the derivative financial instruments is US$59,744,000 (2007: nil). Details of the assumptions used are disclosed in Note 19.

(iv) Income taxes

As at September 30, 2008, a deferred tax asset of US$1,908,000 in relation to unused tax losses has been recognized in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the consolidated income statement for the period in which such a reversal takes place.

5. 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	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	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

At September 30, 2008

	Manufacturing Business	Retail Business	Brand Licensee Business	Property Leasing and Management	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS					
Segment assets	89,743	452,407	70,194	103,145	715,489
Interests in associates	–	20,357	–	–	20,357
Interests in jointly controlled entities	–	65,207	–	–	65,207
Loan to an associate					7,304
Loans to jointly controlled entities					75,604
Unallocated					253,445
					1,137,406
LIABILITIES					
Segment liabilities	13,281	81,028	42,619	3,498	140,426
Unallocated					334,671
					475,097

For the year ended September 30, 2008

OTHER INFORMATION

	Manufacturing Business	Retail Business	Brand Licensee Business	Property Leasing and Management	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	14,286	52,038	2,750	10,049	79,123
Depreciation of property, plant and equipment	3,099	12,981	1,115	551	17,746
Release of prepaid lease payments	26	–	28	203	257
(Gain) loss on disposal of property, plant and equipment	(2)	726	–	42	766
Impairment loss recognized on trade receivables	33	52	–	–	85
Allowance (reversal of allowance) for inventories	–	467	(170)	–	297

For the year ended September 30, 2007

	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	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

At September 30, 2007

	Manufacturing Business	Retail Business	Brand Licensee Business	Property Leasing and Management	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS					
Segment assets	61,569	182,896	22,822	54,673	321,960
Interests in associates	–	10,922	–	–	10,922
Interests in jointly controlled entities	–	33,036	–	–	33,036
Loans to jointly controlled entities					39,915
Unallocated					148,097
					553,930
LIABILITIES					
Segment liabilities	6,239	64,076	10,929	67	81,311
Unallocated					285,230
					366,541

For the year ended September 30, 2007

OTHER INFORMATION

	Manufacturing Business	Retail Business	Brand Licensee Business	Property Leasing and Management	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Capital additions	15,901	28,106	3,066	39,712	86,785
Depreciation of property, plant and equipment	2,754	7,567	1,323	57	11,701
Release of prepaid lease payments	25	–	26	–	51
Loss (gain) on disposal of property, plant and equipment	28	(3)	–	–	25
Reversal of impairment loss recognized on trade receivables	(24)	(135)	(176)	–	(335)
Reversal of allowance for inventories	–	(1,957)	(872)	–	(2,829)

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.

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

6. FINANCE COSTS

	2008	2007
	US$'000	*US$'000*
Interest on:		
Bank borrowings wholly repayable within five years	19,573	3,710
Less: amounts capitalized	(1,930)	–
Borrowing costs	17,643	3,710

7. 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 (Note 26)	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.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008	**2007**
	US$'000	*US$'000*
Profit before taxation	100,464	58,418
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned *(note)*	25,207	15,434
Tax effect of share of results of associates and jointly controlled entities	(7,860)	(1,006)
Tax effect of expenses not deductible for tax purposes	5,449	2,520
Tax effect of income not taxable for tax purposes	(2,466)	(555)
Effect of tax holidays granted to PRC subsidiaries	(1,117)	(2,740)
Effect of tax loss not recognized	–	831
Overprovision in respect of PRC EIT in prior years	(2,525)	–
Utilisation of tax losses previously not recognized	(27)	–
Tax effect of income subject to tax rates prior to the adoption of New Law	1,058	–
Deferred tax on undistributed earnings of PRC's subsidiaries, associates and jointly controlled entities derived since January 1, 2008	3,044	–
Tax charge for the year	20,763	14,484

note: As the Group operates in several different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated.

8. PROFIT FOR THE YEAR

	2008	2007
	US$'000	*US$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 9)	2,304	600
Other staff costs	98,405	64,496
Retirement benefit scheme contributions, excluding directors	4,002	1,007
Equity-settled share-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

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the twelve (2007: ten) directors were as follows:

(a) Directors' emoluments

Details of emoluments of individual directors are set out as follows:

For the year ended September 30, 2008

	Fees	Salaries and other allowances	Bonus	Retirement benefit scheme contributions	Equity-settled share-based payment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors:						
Huang Tsung Jen	–	395	538	–	–	933
Lee Chung Wen	–	150	203	–	106	459
Huang Chun Hua	–	88	191	–	71	350
Chang Karen Yi-Fen	–	118	200	2	85	405
Lu Ning	–	3	–	–	106	109
Non-executive directors:						
David N. F. Tsai	–	–	–	–	–	–
Edward Y. Ku	–	–	–	–	–	–
Tsai Pei Chun, Patty	–	–	–	–	–	–
Independent non-executive directors:						
Chen Huan-Chung	11	–	–	–	–	11
Hu Sheng-Yih	11	–	–	–	–	11
Mak Kin Kwong	13	–	–	–	–	13
Cheng Ming Fun Paul	13	–	–	–	–	13
	48	754	1,132	2	368	2,304

For the year ended September 30, 2007

	Fees	Salaries and other allowances	Bonus	Retirement benefit scheme contributions	Equity-settled share-based payment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors:						
Huang Tsung Jen	–	303	232	–	–	535
Lee Chung Wen	–	–	–	–	–	–
Huang Chun Hua	–	59	5	1	–	65
Chang Karen Yi-Fen	–	–	–	–	–	–
Lu Ning	–	–	–	–	–	–
Non-executive directors:						
David N. F. Tsai	–	–	–	–	–	–
Edward Y. Ku	–	–	–	–	–	–
Tsai Pei Chun, Patty	–	–	–	–	–	–
Independent non-executive directors:						
Chen Huan-Chung	–	–	–	–	–	–
Hu Sheng-Yih	–	–	–	–	–	–
Mak Kin Kwong	–	–	–	–	–	–
Cheng Ming Fun Paul	–	–	–	–	–	–
	–	362	237	1	–	600

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended September 30, 2008 included three (2007: one) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2007: four) individuals are as follows:

	2008	2007
	US$'000	*US$'000*
Salaries and other allowances	325	460
Bonus	773	728
	1,098	1,188

Their emoluments were within the following bands:

	2008 Number of employees	2007 Number of employees
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	–	1
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	1	–
HK$5,000,001 to HK$5,500,000	1	–
	2	4

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

10. 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 (Note 34)	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 of the Group Reorganization and the capitalization of share premium in May 2008 as detailed in the Prospectus.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Office and shopping mall buildings	Factory buildings	Plant and machinery	Leasehold improvements	Furniture, fixture and equipment	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST									
At October 1, 2006	–	4,005	17,380	10,534	16,248	7,928	975	542	57,612
Exchange realignment	253	655	625	576	785	516	66	654	4,130
Additions	7,767	19,611	–	2,922	9,980	7,960	728	19,227	68,195
Acquisition of business	–	–	–	–	2,346	–	–	–	2,346
Transfer	–	–	11,382	–	–	–	–	(11,382)	–
Disposals	–	–	–	(17)	(2,204)	(148)	(67)	–	(2,436)
At September 30, 2007	8,020	24,271	29,387	14,015	27,155	16,256	1,702	9,041	129,847
Exchange realignment	773	2,824	431	1,440	2,787	1,328	135	1,095	10,813
Additions	–	10,383	–	2,206	27,784	7,519	583	30,648	79,123
Transfer	–	–	10,809	–	–	–	–	(10,809)	–
Disposals	–	–	–	–	(2,698)	(1,098)	(158)	–	(3,954)
At September 30, 2008	8,793	37,478	40,627	17,661	55,028	24,005	2,262	29,975	215,829
DEPRECIATION									
At October 1, 2006	–	344	2,193	1,426	10,143	2,741	389	–	17,236
Exchange realignment	4	8	56	87	481	69	22	–	727
Provided for the year	110	442	875	1,081	7,136	1,841	216	–	11,701
Eliminated on disposals	–	–	–	(3)	(1,738)	(81)	(51)	–	(1,873)
At September 30, 2007	114	794	3,124	2,591	16,022	4,570	576	–	27,791
Exchange realignment	18	187	334	396	1,554	341	67	–	2,897
Provided for the year	186	1,030	1,346	971	11,756	2,121	336	–	17,746
Eliminated on disposals	–	–	–	–	(1,508)	(584)	(77)	–	(2,169)
At September 30, 2008	318	2,011	4,804	3,958	27,824	6,448	902	–	46,265
CARRYING VALUE									
At September 30, 2008	8,475	35,467	35,823	13,703	27,204	17,557	1,360	29,975	169,564
At September 30, 2007	7,906	23,477	26,263	11,424	11,133	11,686	1,126	9,041	102,056

In the opinion of the directors, the land and building element of certain of the Group's properties in the PRC cannot be allocated reliably. Accordingly they are presented on a combined basis as land and buildings as above.

All buildings, office and shopping mall buildings and factory buildings, are situated on land with a medium-term land use right in the PRC. As at September 30, 2008, buildings with an aggregate carrying value of approximately US$31,282,000 (2007: US$19,728,000) were situated on land for which formal title has not been granted.

The above items of property, plant and equipment are depreciated at the following rates per annum:

Leasehold land and buildings/office and shopping mall buildings/factory buildings	Over 20 years to 50 years, or shorter of the lease terms of the relevant land, where appropriate (straight line method)
Plant and machinery	5% – 15% (straight line method)
Leasehold improvements	10% – 50% (reducing balance method or shorter of the lease term)
Furniture, fixture and equipment	20% – 30% (reducing balance method)
Motor vehicles	20% – 30% (reducing balance method)

12. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Details of the related capital commitment are set out in Note 32.

13. PREPAID LEASE PAYMENTS

	2008	**2007**
	US$'000	*US$'000*
The carrying amount of the Group's prepaid lease payments are analyzed as follows:		
Current assets	482	125
Non-current assets	15,772	5,169
	16,254	5,294

The carrying amount represents prepaid lease payments for medium-term land use rights in the PRC.

The Group had paid the full consideration for its land use rights in the PRC. As at September 30, 2008, the Group had not yet obtained the title of land use rights with an aggregate carrying amount of US$13,821,000 (2007: US$2,923,000). The directors are of the opinions that the risks and rewards of using these assets have been transferred to the Group and the absence of formal title to these land rights does not impair the value of the relevant properties to the Group.

14. GOODWILL

	US$'000
COST	
Arising on acquisition of business in 2007 and balance at September 30, 2007 and September 30, 2008	2,101

For the purpose of impairment testing, goodwill has been allocated to a cash generating unit, being a subsidiary of the Group engaged in retailing of sportswear in Yunnan, PRC ("CGU").

During the year ended September 30, 2008, management of the Group determined that the CGU containing goodwill had not suffered any impairment. The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5 year period and a discount rate of 15%. The cash flows beyond the five year period are extrapolated using a steady growth rate of 4%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumption for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the units past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

15. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE

	2008	**2007**
	US$'000	*US$'000*
Cost of unlisted investments in associates (notes (i) and (ii))	10,898	10,556
Share of post-acquisition profits, net of dividends received	8,153	166
Share of post-acquisition reserves	1,306	200
	20,357	10,922
Loan to an associate	7,304	–

notes:

(i) Included in cost of investments in associates is goodwill of approximately US$3,003,000 and the movements are as follows:

	US$'000
COST	
Balance at October 1, 2006, September 30, 2007 and 2008	3,003

(ii) Pursuant to the joint venture agreement, the initial investment made by the Group for an associate is subject to a price adjustment mechanism which is determined by the financial performance achieved by the associate during the specified profit evaluation period of 2 years. If the financial performance of the associate during the specified profit evaluation period does not meet certain benchmarks, the other joint venture partner of that associate will have to compensate the Group for the price adjustment either by cash or by transferring a portion of its equity interest in such associate to the Group. If the financial performance of the associate during such profit evaluation period exceeds certain benchmarks, then the Group is required to make additional cash contribution to the associate. As at the balance sheet date, the estimated compensation and/or contributions, and fair value, in respect of the price adjustment mechanism are not material.

The loan to an associate is secured by the equity interests of that associate held by its majority shareholder, interest bearing at the quoted lending rate of People's Bank of China ("POB") and has no fixed terms of repayment. The loan is not expected to be repaid within one year and is classified as non-current assets.

Details of the Group's associates at September 30, 2008 and 2007 are set out in Note 40.

Summarized financial information in respect of the Group's associates is set out below:

	2008	2007
	US$'000	*US$'000*
Total assets	139,562	47,924
Total liabilities	(89,630)	(27,414)
Net assets	49,932	20,510
Group's share of net assets of associates	17,354	7,919
Revenue	307,671	97,934
Profit for the year	25,529	364
Group's share of results of associates for the year	7,987	108

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES

	2008	2007
	US$'000	*US$'000*
Cost of unlisted investments in jointly controlled entities (note)	34,116	29,717
Share of post-acquisition profits, net of dividends received	26,353	3,049
Share of post-acquisition reserves	4,738	270
	65,207	33,036
Loans to jointly controlled entities	75,604	39,915

note:

Pursuant to the joint venture agreements, the initial investment made by the Group for certain jointly controlled entities are subject to a price adjustment mechanism which is determined by the financial performance achieved by the jointly controlled entities during the specified profit evaluation periods, which range from 2 to 3 years. If the financial performance of jointly controlled entities during the specified profit evaluation period does not meet certain benchmarks, the other joint venture partner of that jointly controlled entity will have to compensate the Group for the price adjustment either by cash or by transferring a portion of its equity interest in such jointly controlled entity to the Group. If the financial performance of the jointly controlled entities during such profit evaluation period exceeds certain benchmarks, then the Group is required to make additional cash contribution to those jointly controlled entities. As at the balance sheet date, the estimated compensation and/or contributions, and fair value, in respect of the price adjustment mechanism are not material.

The loans to jointly controlled entities are secured by the equity interests in the relevant jointly controlled entities held by the other venture partners, interest bearing at the quoted lending rate of POB and have no fixed terms of repayment. The loans are not expected to be repaid within one year and are classified as non-current assets.

Details of the Group's jointly controlled entities at September 30, 2008 and 2007 are set out in Note 41.

Summarized financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2008	2007
	US$'000	*US$'000*
Non current assets	27,838	6,706
Current assets	185,859	96,665
Current liabilities	(148,490)	(70,335)
Group's share of net assets of jointly controlled entities	65,207	33,036
Revenue	353,293	48,322
Expense	(329,989)	(45,273)
Group's share of results of jointly controlled entities for the year	23,304	3,049

17. INVENTORIES

	2008	2007
	US$'000	*US$'000*
Raw materials	4,881	2,292
Work in progress	7,300	4,098
Finished goods	238,442	105,985
	250,623	112,375

18. TRADE AND OTHER RECEIVABLES

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

Included in the deposits, prepayments and other receivables are deposits paid to certain suppliers of approximately US$28,374,000 (2007: US$12,623,000), prepayments of various natures of approximately US$28,643,000 (2007: US$11,990,000) and value-added tax recoverable of approximately US$11,301,000 (2007: US$2,878,000).

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

Included in trade receivables are trade receivables with related companies of approximately US$9,746,000 (2007: nil), details of the relevant transactions are set out in Note 36.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$1,143,000 (2007: US$1,004,000) which were past due at the reporting date and for which the Group has not provided for impairment loss because management is of the opinion the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 100 days (2007: approximately 100 days).

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Movement in the allowance for doubtful debt

	2008	2007
	US$'000	*US$'000*
At beginning of the year	229	564
Impairment loss recognized	85	–
Reversal during the year	–	(335)
At the end of the year	314	229

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	US$'000	*US$'000*
Financial assets:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	59,744	–

In October, 2007, the Group entered into call option agreements with the shareholders, other than the Group, (the "Relevant Partners") of certain associates, jointly controlled entities and subsidiaries (the "Relevant Companies"), pursuant to which the Group, in return for its payment of a premium to each of the Relevant Partners (the "Option Premium"), has the right (but not the obligation) exercisable at its discretion to acquire from each of the Relevant Partners their respective equity interests (the "Relevant Equity Interests") in the Relevant Companies (the "Call Options").

The Call Options are exercisable five years commencing from the expiry of the first six months after dealing in the shares of the Company on the Stock Exchange commenced. Each of the Relevant Partners has agreed not to transfer or dispose of the Relevant Equity Interests during the Call Options exercisable period without the Group's prior written consent.

Pursuant to the Call Options agreements, the consideration for acquiring the Relevant Equity interest is to be determined based on the actual profit of the Relevant Companies attributable to the Relevant Partners during the pre-determined evaluation periods and the price earnings ratio of the Company during a specified period and after certain discount agreed between the Company and the Relevant Partners. The consideration is to be settled by the issue of shares in the Company at the average price during the same specified period and after deducting the Option Premium paid.

The Option Premium was determined with reference to 15% of the agreed estimated consideration for the acquisition of the Relevant Equity Interests on the date of the Call Option agreements. The Option Premium was settled by the issue of shares in the Company and the number of shares issued was determined with reference to the offering price upon the global offering of the Company's shares on the Stock Exchange. Pursuant to the supplementary agreements entered into by certain of the Relevant Partners, some of these partners agreed to accept cash in lieu of the shares for part or, in some cases, all of the Option Premium that the Company had agreed with each of them. The Option Premium paid will not be refundable if the Group does not exercise the Call Options before expiry of the exercisable period.

In June, 2008, the Company settled the Option Premium by the issue of a total of 85,702,000 shares in the Company and cash payments of US$17,277,000. The total fair value of the Call Options at initial recognition was the settlement amount of US$50,799,000 and has been accounted for as the cost of the Call Options on the consolidated balance sheet.

The value of each of the Call Options at September 30, 2008 were valued by Savills Valuation and Professional Services Limited, an independent valuer using the Binomial Model. The key inputs into the model include estimated earnings of the Relevant Companies and expected price earning ratio of the Company at the time of exercise of the options and further details are set out below.

	At September 30, 2008
Derivative assets – Call Options:	
Expected price earning ratio – the Company	5
Expected volatility – Company	48%
Expected volatility – the Relevant Companies	31%
Risk free rate	3.53%
Exercisable period	5 years
Expected dividend yield	Nil

Expected volatility was measured at the standard deviation of expected share price returns based on statistical analysis of daily share average prices of comparable companies with similar business over the past years immediately preceding the grant dates.

In addition to the above inputs, the estimated earnings of the Relevant Companies are determined based on cash flow projections prepared from the financial budgets approved by management of the Relevant Companies covering a 5 year period and are then discounted to present value using a discount rate of 15%. The cash flows beyond the five year period are extrapolated using a steady growth rate of 2%. This growth rate of 2% applied in the calculation is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The change in fair value of approximately US$8,945,000 have been credited to the consolidated income statements for the year ended September 30, 2008.

20. AMOUNTS DUE FROM RELATED PARTIES

Particulars of the amounts due from related parties are as follows:

				Maximum amount outstanding for year ended September 30,	
		2008	**2007**	**2008**	**2007**
	note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Minority shareholders of subsidiaries	(i)	1,801	2,966	2,966	2,966
Jointly controlled entities	(i)	–	4,775	4,775	4,775
Shareholders of associates	(i)	–	3,379	3,379	3,379
Shareholders of jointly controlled entities	(i)	–	9,496	9,496	9,496
		1,801	20,616		

note:

(i) The amounts are unsecured, interest-free and repayable on demand.

21. PLEDGED BANK DEPOSITS

These deposits are pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits carried interests ranging from 5.73% to 5.99% per annum (2007: nil) and will be released upon the settlement of the relevant bank borrowings.

22. BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank balances and cash

The balance comprises bank balances and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates. All deposits are with maturity of three months or less.

During the year, the bank deposits carried fixed interest rates ranging from 0.25% to 4.75% (2007: 0.72% to 3.87%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	**2007**
	US$'000	*US$'000*
United States dollars	103,240	14,555
Hong Kong dollars	2,345	182
	105,585	14,737

Bank overdrafts

As at September 30, 2007, bank overdrafts carry interest at market rates which range from 5.08% to 7.57%.

23. 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

Included in other payables are accruals of various natures of approximately US$27,993,000 (2007: US$20,571,000), receipts in advance from customers of approximately US$10,594,000 (2007: US$5,515,000) and royalty payable of approximately US$7,494,000 (2007: US$4,297,000).

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

The average credit period for payment of purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in trade payables are trade payables with related companies of approximately US$3,400,000 (2007: nil), details of the relevant transactions are set out in Note 36.

24. AMOUNTS DUE TO RELATED PARTIES

Particulars of the amounts due to related parties:

		2008	2007
	notes	*US$'000*	*US$'000*
Minority shareholders of subsidiaries	(i)	1,919	6,158
Yue Yuen	(i)	–	25,981
Subsidiaries of Yue Yuen	(i)	–	78,794
Associates of Yue Yuen	(ii)	–	1,449
		1,919	112,382

notes:

(i) These represent temporary fund transfer, which are non-trade in nature. They are unsecured, interest-free and repayable on demand.

(ii) These represent trading balances aged within 30 days and were settled according to the Group's normal commercial terms.

25. BANK BORROWINGS

	2008	2007
	US$'000	*US$'000*
The bank borrowings are repayable:		
Within one year	306,288	99,975
In more than one year, but not exceeding two years	5,843	25,273
	312,131	125,248
Less: amount included in current liabilities	(306,288)	(99,975)
Amount due after one year	5,843	25,273
Analyzed as:		
Secured	1,627	–
Unsecured	310,504	125,248
	312,131	125,248

The Group's bank borrowings are interest-bearing as follow:

	2008	2007
	US$'000	*US$'000*
Fixed rate borrowings	11,852	67,042
Variable rate borrowings	300,279	58,206
	312,131	125,248

The Group's variable rate borrowings carry interest at a margin over HIBOR, LIBOR or prevailing rate quoted by the POB. Interest is repriced every six to twelve months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2008	2007
Effective interest rate:		
Fixed rate borrowings	5.99% to 6.57%	5.58% to 7.65%
Variable rate borrowings	6.03% to 7.47%	5.58% to 7.87%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008	2007
	US$'000	*US$'000*
United States dollars	1,627	7,180

26. DEFERRED TAXATION

The following are the major deferred tax liabilities and (assets) recognized and movements thereon during current or prior years:

	Tax losses	Undistributed earnings of PRC entities	Total
	US$'000	*US$'000*	*US$'000*
At October 1, 2006 and September 30, 2007	–	–	–
(Credit) charge to the consolidated income statement	(1,908)	3,044	1,136
At September 30, 2008	(1,908)	3,044	1,136

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008	2007
	US$'000	*US$'000*
Deferred tax assets	(1,908)	–
Deferred tax liabilities	3,044	–
	1,136	–

At the balance sheet date, the Group had unused tax losses of US$10.1 million (2007: US$2.7 million) available for offset against future profits. A deferred tax asset has been recognized in respect of US$7.6 million (2007: nil) of such losses. No deferred tax asset has been recognized in respect of the remaining unused tax loss of US$2.5 million (2007: US$2.7 million) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of US$2.5 million (2007: US$2.7 million) that will expire in 2012. Other losses may be carried forward indefinitely.

Deferred taxation has been provided in full in respect of the undistributed earnings of the Group's PRC associates and jointly controlled entities arising since January 1, 2008. In respect of the undistributed earnings of the Group's PRC subsidiaries for the same period, because the Group is in a position to control the quantum and timing of the distribution thereof, deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

At the balance sheet date, the aggregate amount of undistributed earnings of the Group's PRC subsidiaries in respect of which the Group has not provided for dividend withholding tax was approximately US$59.9 million (2007: nil).

27. SHARE CAPITAL AND PAID UP CAPITAL

	notes	**Number of shares**	**Nominal value** *HK$'000*
Ordinary shares of HK$0.01 each			
Authorized:			
At October 1, 2007		–	–
Upon incorporation	(i)	10,000,000	100
Increase in authorized share capital	(ii)	29,990,000,000	299,900
At September 30, 2008		30,000,000,000	300,000
Issued and fully paid:			
Allotted and issued on incorporation	(i)	1	–
Issue of shares upon the Group Reorganization	(iii)	99,999	1
Issue of shares on capitalization of the share premium account	(iv)	2,631,544,000	26,315
Issue of shares relating to acquisitions	(v)	94,978,000	950
Issue of shares under global offering	(vi)	823,378,000	8,234
Issue on exercise of the over-allotment option	(vi)	17,559,000	176
At September 30, 2008		3,567,559,000	35,676
		Equivalent to US$'000	4,575

notes:

(i) The Company was incorporated on November 14, 2007 with an authorized capital of HK$100,000, divided into 10,000,000 shares of HK$0.01 each. On the date of incorporation, 1 share of HK$0.01 was issued at nil consideration to the shareholder of the Company.

(ii) Pursuant to the resolutions passed by the sole shareholder of the Company on May 14, 2008, the authorized share capital of the Company was increased from HK$100,000 to HK$300,000,000 by the creation of additional 29,990,000,000 ordinary shares of HK$0.01 each.

(iii) On May 23, 2008, the Company issued 99,999 ordinary shares of HK$0.01 each pursuant to the Group Reorganization. 75,492 ordinary shares were issued to Yue Yuen in exchange for the equity interests in the subsidiaries which were transferred to the Company. 24,507 ordinary shares were issued to minority shareholders for acquiring certain minority interests in subsidiaries at an aggregate issue price of US$252,249,000, based on the initial offering price of HK$3.05 per share ("IPO Price") of the Company's shares, and after taking into account the additional 644,896,493 shares issued under the capitalization issue described in (iv) below

(iv) On June 5, 2008, the Company allotted and issued 2,631,544,000 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by the capitalization of an amount of HK$26,315,440 in the share premium account of the Company at par of which 644,896,493 ordinary shares of HK$0.01 each were issued to the minority shareholders mentioned above.

(v) On June 5, 2008, the Company issued 85,702,000 ordinary shares and 9,276,000 ordinary shares of HK$0.01 each at IPO Price to settle the financial liabilities related to the Option Premium and the consideration payable for the acquisition of the additional interest in a subsidiary respectively.

(vi) On June 6, 2008, the Company issued a total of 823,378,000 ordinary shares of HK$0.01 each at the IPO Price by means of a global offering. On July 3, 2008, the Company issued additional 17,559,000 ordinary shares of HK$0.01 each at the IPO Price by means of full exercise of the over-allotment option as set out in the Prospectus.

All the shares issued during the period from November 14, 2007 (date of incorporation) to September 30, 2008 ranked pari passu in all respects with the then existing shares.

Because the Group Reorganization was only completed on June 5, 2008, the balance of share capital at September 30, 2007 represents the aggregate of the share capital and paid up capital of the subsidiaries comprising the Group held directly by Yue Yuen at that date.

28. BALANCE SHEET OF THE COMPANY

	2008
	US$'000
Total assets	510,173
Total liabilities	2,970
	507,203
Capital and reserves	
Share capital	4,575
Reserves (note a)	502,628
	507,203

notes:

(a) Reserves

	Share premium *US$'000*	Contributed surplus *US$'000* (note b)	Share-based compensation reserve *US$'000*	Accumulated losses *US$'000*	Total *US$'000*
At November 14, 2007 (date of incorporation)	–	–	–	–	–
Loss for the period and total recognized expense for the period	–	–	–	(13,077)	(13,077)
Arising from Group Reorganization	–	166,010	–	–	166,010
Recognition of equity-settled share-based payment	–	–	706	–	706
Issue of new shares (Notes 27(v) and 27(vi))	364,870	–	–	–	364,870
Issue of shares by capitalization of share premium account (Note 27(iv))	(3,374)	–	–	–	(3,374)
Transaction cost attributable to issue of new shares	(12,507)	–	–	–	(12,507)
At September 30, 2008	348,989	166,010	706	(13,077)	502,628

(b) The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the Group Reorganization and the nominal amount of the Company's shares issued for the acquisition.

29. ACQUISITION OF BUSINESS

On January 1, 2007, the Group acquired the business and the relevant assets and liabilities of a retailing business in Yunnan, PRC, for a consideration of RMB56,100,000 (equivalent to approximately US$7,184,000) from a minority shareholder. This acquisition was accounted for using the purchase method.

The carrying amounts and fair value of the net assets acquired in the transaction and the goodwill arising therefrom are as follows:

	US$'000 *(note)*
Net assets acquired:	
Property, plant and equipment	2,346
Inventories	7,723
Trade and other receivables	8,656
Bank balances and cash	3,102
Trade and others payables	(11,861)
Minority interests	(4,883)
	5,083
Goodwill	2,101
Total consideration	7,184
Satisfied by:	
Cash	7,184
Net cash outflow arising on acquisition:	
Cash consideration paid	(7,184)
Bank balances and cash acquired	3,102
	(4,082)

note: the fair value of the net assets approximates to their carry amounts.

The acquired business contributed US$1.9 million to the Group's profit for the period between the date of acquisition and September 30, 2007.

If the acquisition had been completed on October 1, 2006, total group revenue and profit after taxation of the Group for the year ended September 30, 2007 would have been US$562 million, and US$45 million, respectively. This pro forma information is for illustration purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on October 1, 2006, nor is it intended to be a projection of future results.

30. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged bank deposits of US$2,337,000 (2007: Nil) to banks to secure short-term bank borrowings granted to the Group.

31. OPERATING LEASE

The Group as lessee

The Group made the following lease payments during the year as follow:

	2008	**2007**
	US$'000	*US$'000*
Operating lease rentals in respect of:		
Minimum lease payments:		
– street level stores	19,802	12,333
– shopping mall stores	15,263	1,553
– other properties	4,189	1,944
	39,254	15,830
Contingent rentals	72,571	41,964
	111,825	57,794

At the balance sheet dates, the Group had commitments for future minimum lease payments for retail shops and other properties under non-cancellable operating leases which fall due as follows:

	2008	**2007**
	US$'000	*US$'000*
Within one year	46,269	15,073
In the second to fifth year inclusive	92,902	36,793
Over five years	31,378	9,294
	170,549	61,160

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail shops' turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent payable.

Leases are negotiated for lease terms of 2 to 5 years.

The Group as lessor

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease receipts in respect of shopping mall counter areas rented out:

	2008	**2007**
	US$'000	*US$'000*
Within one year	581	691
In the second to fifth year inclusive	2,361	–
Over five years	6,964	–
	9,906	691

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rent to the Group. In general, these contingent rents are calculated with reference to the turnover generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent receivable. Rental income received by the Group during the year amounted to US$2,722,000 (2007: US$419,000), included in which was rental income arising from contingent lease contracts of US$2,031,000 (2007: US$419,000).

32. CAPITAL COMMITMENTS

	2008	**2007**
	US$'000	*US$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	21,529	8,206
Other commitments contracted for but not provided in the consolidated financial statements in respect of:		
– capital investment in associates	4,850	5,414
– capital investment in jointly controlled entities	1,519	6,874
	27,898	20,494

Save as disclosed above and in Notes 15 and 16, the Group has no other commitments to the capital investment in associates and jointly controlled entities.

33. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities as follow:

	2008	2007
	US$'000	*US$'000*
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	44,697	–
– amount utilized	39,323	–
(ii) associates		
– amount guaranteed	7,300	–
– amount utilized	7,300	–

34. SHARE-BASED PAYMENT TRANSACTIONS

The Company has the following incentives plans to motivate and reward its directors and employees:

(I) Pre-IPO Share Subscription Plan

The Company's pre-IPO share subscription plan (the "Plan") was adopted pursuant to a resolution passed on May 14, 2008. Pursuant to the Plan under which invitations were made to and accepted by, eligible persons to subscribe for shares in the Company at HK$2.14 per share which represents a discount of 30% below the IPO Price (the "Plan Shares"), for the primary purpose to recognize contributions of eligible persons, to seek to retain them for the continued operation and development of the Group and to attract suitable personnel for the Group's further development. The Plan is an one-off and close-end scheme.

	Invitation date	Number of Plan Shares (5 year plan) (note i)	Number of Plan Shares (10 year plan) (note ii)	Total
Directors	May 23, 2008	36,920,000	25,028,000	61,948,000
Employees	May 23, 2008	34,081,000	28,223,000	62,304,000
		71,001,000	53,251,000	124,252,000

notes:

(i) 20% of the Plan Shares shall be subscribed within 5-year period after each anniversary of the date of invitation.

(ii) 10% of the Plan Shares shall be subscribed within 10-year period after each anniversary of the date of invitation.

At September 30, 2008, no shares have been subscribed under the Plan.

The fair value of the subscription right for the Plan Shares on the date of invitation was calculated using the Binomial Model (the "Model") and the amount that was charged to the consolidated income statement as share-based payment expense for the year ended September 30, 2008 is approximately US$706,000 (2007: Nil). The inputs into the Model for the purpose of the estimation are as follows:

	5 year Plan	10 year Plan
Weighted average share price	HK$3.05	HK$3.05
Subscription price	HK$2.14	HK$2.14
Life of subscription right	5 years	10 years
Expected volatility	48%	48%
Expected dividend yield	0% to 2%	0% to 2%
Risk free rate	1.22% to 2.92%	1.22% to 2.92%
Fair value of subscription right per share	HK$0.99	HK$0.98

The Model is one of the commonly used models to estimate the fair value of the subscription right of the Plan Shares and which involves assumptions and variables based on the directors' best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

The dividend yield are based on management's best estimate taking into account the Group's future plans and prospects. Expected volatility was determined with reference to the historical volatility of the share prices of comparable companies on the Stock Exchange as the Company's shares have been listed on the Stock Exchange with effect from June 6, 2008.

(II) Share Option Scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on May 14, 2008 for the primary purpose to attract and retain personnel, to provide incentives to eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and will expire on May 13, 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible participants, including inter alia, directors and employees of the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time from the minimum period for which an option must be held before it can be exercised determined by the Board of Directors commencing from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

At September 30, 2008, no options were granted, exercised or lapse under the Scheme.

35. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

At the balance sheet dates, the Group had no significant obligation apart from the contribution as stated above.

36. RELATED PARTY DISCLOSURES

(I) Transactions and trade balances

The Group had the following related party transactions and balances:

Relationship	**Nature of transactions/balances**	**2008**	**2007**
		US$'000	*US$'000*
Substantial shareholder of the Company and its affiliates other than the Group:			
Subsidiaries of Yue Yuen	Purchase of sportswear products	1,095	2,855
	Purchase of property, plant and equipment	29	179
	Purchase of raw materials	–	15
	Sales of moulds	–	123
	Sales of plant and machinery	–	3
Associates of Yue Yuen	Purchase of sportswear products	21,664	5,034
	Trade payables at September 30	2,934	–
Jointly controlled entities of Yue Yuen	Purchase of sportswear products	2,921	3,297
	Trade payables at September 30	414	–
Substantial shareholder of Yue Yuen	Purchase of sportswear products	194	–
	Trade payables at September 30	52	–

Relationship	Nature of transactions/balances	2008 *US$'000*	2007 *US$'000*
Subsidiaries' minority shareholders or their affiliates:			
Yunnan Orientalsport (Note 29)	Acquisition of a retail business	–	7,184
Huang Tsung Jen	Consultancy fee paid	–	1,007
	Acquisition of additional interest in subsidiaries	–	65
Jollyard Investment Limited	Acquisition of additional interest in a subsidiary	–	4,612
Associates	Sales of sportswear products	10,832	–
	Management fee received	125	–
	Interest income	124	–
	Trade receivables at September 30	3,941	–
Jointly controlled entities	Sales of sportswear products	11,589	–
	Purchase of shoes	–	147
	Interest income	2,306	97
	Management fee received	171	–
	Trade receivables at September 30	5,805	–

(II) Non-trade balances

Details of the Group's non-trade balances with related parties are set out on the consolidated balance sheets and in Notes 20 and 24.

(III) Guarantees

The Group's bank borrowings were secured by guarantees given by:

	note	2008 *US$'000*	2007 *US$'000*
Yue Yuen and minority shareholders of subsidiaries on a joint and several basis	(i)	10,882	79,308
Yue Yuen	(i)	–	51,292
Minority shareholders of subsidiaries on a joint and several basis		687	–
		11,569	130,600

note:

(i) These guarantees were released during the year ended September 30, 2008 upon the listing of the Company's shares on the Stock Exchange, except for guarantees of US$10,882,000 which were released in December 2008.

In addition to the above, details of the Group's guarantees to associates and jointly controlled entities are set out in Note 33.

(IV) Compensation of key management personnel

	2008	**2007**
	US$'000	*US$'000*
Short term benefits	3,504	1,931
Post employment benefits	2	2
Equity-settled share-based payments	368	–
	3,874	1,933

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include the borrowings disclosed in Note 25, and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and accumulated profits.

Management reviews the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008	**2007**
	US$'000	*US$'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	473,332	222,135
Derivative financial instruments	59,744	–
Financial liabilities		
Amortized cost	418,607	330,470

(b) Financial risk management objectives

The Group's major financial instruments include loans to an associate/jointly controlled entities, trade and other receivables, amounts due from/to related parties, pledged bank deposits, bank balances, trade and other payables, and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The market risks associated with these financial instruments include market risk (interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details of these borrowings). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate deposits placed with bank and bank borrowings (see Notes 21 and 25 for details of these respectively).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of HIBOR, LIBOR or prevailing rate quoted by the POB are the major sources of the Group's cash flow interest rate risks.

The sensitivity analyses below have been determined based on the exposure to interest rates of variable rate bank balances and borrowings. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability and bank balances outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interests rates on interest bearing bank balances and bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately US$1,170,000 (2007: increase/decrease by US$636,000).

In management's opinion, the sensitivity analysis is not necessarily of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) Foreign exchange risk

Certain subsidiaries of the Company have foreign currency bank balances as detailed in Note 22, which expose the Group to foreign exchange risk, whilst over 90% of the Group's sales and purchases and bank borrowings are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's profit for the year would decrease by US$5,198,000 (2007: US$377,000), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit and balances would be negative.

In management's opinion, the sensitivity analysis is not necessarily of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to other price risk arising from the Call Options. The fair values of the Call Options were calculated using the Binomial Model and amongst other inputs, the estimates of earnings of the Relevant Companies and the price earnings ratio of the Company. Details of which are set out in Note 19.

Sensitivity analysis

As set out in Note 19, the fair values of the Call Options were valued using the Binomial Model, which uses cash flow projections based on assumptions that are not supported by observable current market transactions nor based on available observable market data. The fair values of the Call Options recognized in the financial statements would have been changed significantly if one or more of those assumptions were changed.

If individual input to the valuation model had been 10% higher/lower while all other variables were held constant, the profit for the year ended September 30, 2008 would have increased (decreased) as follows:

	Higher by 10%	**Lower by 10%**
	US$'000	*US$'000*
Expected Volatility – the Company	782	(776)
Growth rate	(4,065)	2,924
Expected price earning ratio – the Company	(4,415)	2,576

In management's opinion, the sensitivity analyses are not necessarily representative of the inherent market risk as the pricing model used in the fair value valuation of the derivatives involves multiple variables where certain variables are interdependent.

Credit risk

As at September 30, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 33.

The Group's customer base is diverse and the trade receivables consist of a large number of customers. However, the Group's concentration of credit risk on loans to an associate and jointly controlled entities covered over 17% (2007: 17%) of its total receivables. In order to minimize the credit risk arising from its open account sales, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the directors consider that the credit risk is significantly reduced.

In addition to the credit risk on trade debts, the Group is also exposed to its advances to, and guarantees granted in relation to its associates and jointly controlled entities. The Group has secured the equity interests held by the other joint venture partners in these entities as collateral for the advances. In addition, because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and can take timely actions to safeguard its assets and/or to minimize its losses. Accordingly, management believes that the Group's exposure in this regard is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which covered over 90% (2007: over 90%) of its total receivables as at September 30, 2008.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in Note 25.

With regard to the Group's liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the contractual maturity of the Group's financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at September 30, 2008							
Non-interest bearing	–	95,465	9,166	1,845	–	106,476	106,476
Fixed interest rate instruments	6.28	9,493	3,104	–	–	12,597	11,852
Variable interest rate instruments	6.75	75,985	230,528	7,797	6,237	320,547	300,279
		180,943	242,798	9,642	6,237	439,620	418,607

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at September 30, 2007							
Non-interest bearing	–	145,663	51,986	2,221	–	199,870	199,870
Fixed interest rate instruments	6.62	5,875	11,554	54,051	–	71,480	67,042
Variable interest rate instruments	6.71	3,358	6,715	30,780	26,969	67,822	63,558
		154,896	70,255	87,052	26,969	339,172	330,470

In addition to the above contractual obligation on its non-derivative liabilities, the Group is subject to make additional cash contribution to the associates and jointly controlled entities determined by the price adjustment mechanism as set out in Notes 15 and 16, should the financial performance of the associates and jointly controlled entities exceeds certain benchmarks.

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial information approximate their fair values.

39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at September 30, 2008 and 2007:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note a) 2008	2007	Principal activities
YY Sports Holdings Limited (“YY Sports”)	British Virgin Islands (“BVI”)	US$1	100%	100%	Investment holding
A – Grade Holdings Limited	BVI	US$9,000	100%	70%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited 寶盛道吉(北京)貿易有限公司 *(note b)*	PRC	US$8,880,000	100%	70%	Retailing of sportswear
Baoxin (Chengdu) Trading Company Limited 寶信(成都)商貿有限公司 *(note b)*	PRC	US$5,000,000	100%	70%	Retailing of sportswear
Baoyu (Chengdu) Trading Company Limited 寶渝(成都)商貿有限公司 *(note b)*	PRC	US$7,400,000	100%	63%	Retailing of sportswear
Beijing Baozhe Sports Company Limited 北京寶哲體育用品有限公司 *(note c)*	PRC	RMB20,000,000	100%	70%	Retailing of sportswear
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Charming Technology Limited	BVI	US$200	100%	70%	Investment holding
Dailan Baoshun Sports Goods Company Limited 大連寶順體育用品有限公司 *(note b)*	PRC	RMB2,000,000	100%	70%	Retailing of sportswear
Dedicated Group Limited	BVI	US$1,000	100%	70%	Investment holding
Diodite Limited	BVI	US$1	100%	100%	Investment holding
Diodite (China) Sports Goods Company Limited 笛亞泰(中國)體育用品有限公司 *(note b)*	PRC	US$20,000,000	100%	100%	Retailing of sportswear
Dragonlight Group Limited	BVI	US$1	100%	100%	Investment holding
Dragonlight (China) Sports Goods Company Limited 龍光(中國)體育用品有限公司 *(note b)*	PRC	US$36,000,000	100%	100%	Investment holding
Favour Mark Holdings Limited	HK	HK$200	100%	100%	Investment holding
Fujian Baomin Sports Goods Company Limited 福建寶閩體育用品有限公司 *(note b)*	PRC	US$5,000,000	90%	63%	Retailing of sportswear

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note a) 2008	2007	Principal activities
Great Sea Holdings Limited	HK	HK$100	100%	70%	Distribution of sportswear
Guangzhou Baoyuen Trading Company Limited 廣州寶元貿易有限公司 *(note b)*	PRC	US$2,470,000	100%	70%	Retailing of sportswear
Guangzhou Yangji Information Technology Company Limited 廣州市揚基信息科技有限公司 *(note b)*	PRC	HK$3,000,000	100%	70%	Retailing of sportswear
Guangzhou Shengdao Sports Goods Company Limited 廣州勝道體育用品有限公司 *(note b)*	PRC	RMB20,000,000	100%	N/A	Property leasing and management
Guiyang Baoxin Sports Goods Company Limited 貴陽寶新體育用品有限公司 *(note b)*	PRC	US$2,100,000	100%	70%	Retailing of sportswear
Harbin Baosheng Sports Goods Company Limited 哈爾濱寶勝體育用品有限公司 *(note b)*	PRC	RMB7,000,000	100%	70%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited 合肥寶勳體育用品商貿有限公司 *(note b)*	PRC	RMB1,000,000	100%	70%	Retailing of sportswear
Jinan Baoyue Sports Goods Company Limited 濟南寶嶽體育用品有限公司 *(note c)*	PRC	RMB2,000,000	72%	50.4%	Retailing of sportswear
Nanning Pou Guan Sporting Goods Company Limited 南寧寶冠體育用品有限公司 *(note b)*	PRC	US$1,300,000	100%	70%	Retailing of footwear
Nice Palace Investments Limited	HK	HK$200	100%	70%	Investment holding
Pau Yuen Trading Corporation 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	63%	Distribution of licenced products
Pau Zhi Trading Corporation 寶智企業股份有限公司	Taiwan	NTD5,000,000	90%	90%	Retailing of sportswear
Profit Concept Group Limited	BVI	US$1	51%	51%	Investment holding
Guizhou Shengdao Sports Goods Development Company Limited 貴州勝道體育用品開發有限公司 *(note b)*	PRC	RMB70,000,000	100%	88%	Property leasing and management

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note a) 2008	2007	Principal activities
Qingdao Baoruina Sports Goods Company Limited 青島寶瑞納體育用品有限公司 *(note c)*	PRC	RMB20,000,000	72%	50.4%	Retailing of footwear
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding
Richwin Management Limited	BVI	US$1	100%	N/A	Investment holding
Shanghai Baoyuen Sports Goods Company Limited 上海寶原體育用品商貿有限公司 *(note b)*	PRC	US$10,000,000	100%	70%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited 上海勝道體育用品有限公司 *(note b)*	PRC	RMB100,000	100%	100%	Property leasing and management
Shengdao (Yangzhou) Sports Goods Development Company Limited 勝道(揚州)體育用品開發有限公司 *(note b)*	PRC	US$66,000,000	100%	100%	Investment holding
Shaanxi Baoxiang Sports Goods Company Limited 陝西寶祥體育用品有限公司 *(note b)*	PRC	RMB2,000,000	100%	70%	Retailing of sportswear
Selangor Gold Limited	BVI	US$1,000	100%	70%	Investment holding
Taicang Yusheng Moulding Company Limited 太倉裕盛模具有限公司 *(note b)*	PRC	US$2,100,000	100%	100%	Manufacturing of shoe moulds
Tiajian Baoxin Sports Goods Company Limited 天津寶信體育用品有限公司 *(note b)*	PRC	RMB1,000,000	100%	70%	Retailing of sportswear
Treasure Chain International Limited	BVI	US$1	100%	N/A	Investment holding
Wellmax Business Group Limited	BVI	US$9,000	100%	70%	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited 無錫寶原體育用品商貿有限公司 *(note b)*	PRC	RMB1,000,000	100%	70%	Retailing of sportswear

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note a) 2008	2007	Principal activities
Hubei Shengdao Sports Goods Company Limited 湖北勝道體育用品有限公司 *(note c)*	PRC	RMB50,000,000	60%	60%	Property leasing and management
Xian Baoqin Trading Company Limited (“Xian Baoqin “) 西安寶秦貿易有限公司 *(note b)*	PRC	US$20,000,000	100%	70%	Retailing of sportswear
Yue Sheng (Kunshan) Sports Co., Ltd. 裕晟(昆山)體育用品有限公司 *(note b)*	PRC	US$2,000,000	100%	70%	Distribution of licensed products
Yue Cheng (Kunshan) Sports Co., Ltd. 裕程(昆山)體育用品有限公司 *(note b)*	PRC	US$10,000,000	100%	70%	Distribution of licensed products
Yue Ming International Limited	HK	HK$1	100%	70%	Distribution of licensed products
Yue-Shen (Taicang) Footwear Co. Ltd. 裕盛(太倉)鞋業有限公司 *(note b)*	PRC	US$15,000,000	100%	100%	Manufacturing of sportswear
Yunnan Orientalsport Economy Trade Company Limited 雲南奧龍世博經貿有限公司 *(note b)*	PRC	RMB56,100,000	51%	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited 雲南勝道體育用品有限公司 *(note c)*	PRC	RMB87,500,000	60%	60%	Property leasing and management

notes:

a. The Company directly holds the interest in YY Sports. All other interests shown are indirectly held by the Company.

b. These companies are wholly-foreign owned enterprises established in the PRC.

c. These companies are sino-foreign owned enterprises established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

40. ASSOCIATES

As at the balance sheet dates, the Group had interests in the following associates:

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company 2008	2007	Principal activities
Farsighted International Limited ("Farsighted")	BVI	30%	30%	Investment holding in in a group of PRC companies which are engaged in retailing of sportswear
Zhejiang Baohong Sports Goods Company Limited 浙江寶宏體育用品有限公司	PRC	49%	49%	Retailing of sportswear
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited 陝西五環勝道運動產業開發有限公司	PRC	40%	40%	Retailing of sportswear

All of the above, other than Farsighted, are sino-foreign enterprises established in the PRC.

41. JOINTLY CONTROLLED ENTITIES

As at the balance sheet dates, the Group had interest in the following jointly controlled entities:

Name of entity	Place of incorporation or establishment/ operation	Proportion of issued and fully paid up capital indirectly held by the Company 2008	2007	Principal activities
Harbin Shenge Sports Chain Company Limited 哈爾濱申格體育連鎖有限公司	PRC	45%	45%	Retailing of sportswear
Suzhou Xinjun Trading Development Company Limited 蘇州信俊貿易發展有限公司	PRC	49%	49%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited 河北展新體育發展有限公司	PRC	45%	45%	Retailing of sportswear
Heifei Tengrei Sports Goods Company Limited 合肥騰瑞體育用品有限公司	PRC	50%	50%	Retailing of sportswear

Name of entity	Place of incorporation or establishment / operation	Proportion of issued and fully paid up capital indirectly held by the Company 2008	2007	Principal activities
Hubei Jiezhixing Clothing and Accessories Company Limited 湖北杰之行服飾有限公司	PRC	50%	50%	Retailing of sportswear
Jilin Xinfangwei Sports Goods Company Limited 吉林新方位體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Jilin Lingpao Sports Goods Company Limited 吉林領跑體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Shaanxi Jixian Longyue Sports Goods Company Limited 陝西極限龍躍體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Zhejiang Jinguan Enterprise Development Company Limited 浙江金冠實業發展有限公司	PRC	50%	50%	Retailing of sportswear
Zhejiang Yichuan Sports Goods Chain Company Limited 浙江易川體育用品連鎖有限公司	PRC	50%	50%	Retailing of sportswear
Hangzhou Baohong Sports Goods Company Limited 杭州寶宏體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Guiyang Baoshang Sports Goods Company Limited 貴陽寶尚體育用品有限公司	PRC	50%	50%	Retailing of sportswear
Wenzhou Baofeng Trading Company Limited 溫州寶灃商貿有限公司	PRC	50%	50%	Retailing of sportswear

All of the above are sino-foreign enterprises established in the PRC.

INDEBTEDNESS

Borrowings

As at the close of business on December 31, 2008, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding bank loans of approximately US$321.5 million, bank overdraft of US$9 million and amounts due to related companies of US$3.3 million.

Debt Securities

As at December 31, 2008, the Enlarged Group had no debt securities.

Securities and guarantees

As at December 31, 2008, the bank loans of approximately US$321.5 million and bank overdrafts of US$9 million as aforesaid were secured by various guarantees provided by members of the Enlarged Group.

Contingent liabilities

As at at December 31, 2008, the Enlarged Group had US$45.5 million guarantees granted to jointly controlled entities, of which US$38.3 million were utilized.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and litigation as set out in Appendix IV to this circular, the Enlarged Group did not have, as at the close of business on December 31, 2008, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgage, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into United States Dollar at the exchange rates prevailing at the close of business on December 31, 2008.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since December 31, 2008 and to the latest practicable date.

The following is the text of a report received from the independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the audited financial results of Farsighted International Limited from May 23, 2006 (date of incorporation) to September 30, 2006 and the two years ended September 30, 2008 as set out in this appendix for inclusion in this circular.

Deloitte.
德勤

February 4, 2009

The Directors
Farsighted International Limited

Dear Sirs,

We set out below our report on the financial information regarding Farsighted International Limited ("FIL") and its subsidiaries (hereinafter collectively referred to as the "FIL Group") for the period from May 23, 2006 (date of incorporation) to September 30, 2006 and each of the two years ended September 30, 2008 (the "Relevant Periods") (the "Financial Information"), for inclusion in a circular dated February 4, 2009 (the "Circular") issued by Pou Sheng International (Holdings) Limited ("Pou Sheng") in connection with its proposed acquisition of 70% of issued share capital in FIL, not already owned by Pou Sheng.

FIL was incorporated in British Virgin Islands as an exempted company with limited liability on May 23, 2006 in which 70% interests is owned by Proudview Holdings Limited ("Proudview") and the remaining 30% interests is owned by Dragonlight Group Limited ("Dragonlight Group"), a wholly-owned subsidiary of Pou Sheng. FIL Group is principally engaged in retailing of sportswear and sports footwear in the People's Republic of China (the "PRC").

All companies now comprising the FIL Group have adopted September 30 as their financial year end. However, as a statutory requirement, those subsidiaries established in the PRC prepare their statutory accounts on a calendar year basis.

At the date of this report, FIL has the following subsidiaries and their particulars are as follows:

Name of subsidiary	Place and date of incorporation/ registration	Paid in registered capital	Attributable equity interests held by FIL Direct	Attributable equity interests held by FIL Indirect	Principal activity
Dalian Dongzhijie Sports Industrial Development Company Limited ("DZJ") 大連東之杰運動產業發展有限公司	PRC August 13, 1998	RMB78,000,000	100%	–	Investment holding and retailing of sportswear and sports footwear
Changsha Dongzhijie Sports Industrial Development Company Limited ("Changsha Dongzhijie") 長沙東之杰運動產業發展有限公司	PRC November 13, 2001	RMB5,000,000	–	100%	Retailing of sportswear and sports footwear
Hebei Dongzhijie Sports Industrial Development Company Limited ("Hebei Dongzhijie") 河北東之杰運動產業發展有限公司	PRC October 25, 2005	RMB2,000,000	–	100%	Retailing of sportswear and sports footwear
Tangshan Baoteng Sports Supplies Trading Company Limited ("Tangshan Baoteng") 唐山寶騰體育用品銷售有限公司	PRC October 10, 2007	RMB500,000	–	100%	Retailing of sportswear and sports footwear
Langfang Xingainian Sports Supplies Company Limited ("Langfang Xingainian") 廊坊市新概念體育用品有限公司	PRC January 7, 2008	RMB1,050,000	–	100%	Retailing of sportswear and sports footwear
Qinhuangdao Guojian Trading Company Limited ("Qinhuangdao Guojian") 秦皇島國健商貿有限公司	PRC July 3, 2007	RMB500,000	–	100%	Retailing of sportswear and sports footwear
Henan Dongzhijie Sports Industrial Development Company Limited ("Henan Dongzhijie") 河南東之杰運動產業發展有限公司	PRC September 19, 2006	RMB2,000,000	–	100%	Retailing of sportswear and sports footwear
Jiangxi Dongzhijie Sports Industrial Development Company Limited ("Jiangxi Dongzhijie") 江西東之杰運動產業發展有限公司	PRC August 26, 2005	RMB1,000,000	–	100%	Retailing of sportswear and sports footwear

Name of subsidiary	Place and date of incorporation/ registration	Paid in registered capital	Attributable equity interests held by FIL Direct	Indirect	Principal activity
Shanghai Dongzhijie Sports Supplies Company Limited ("Shanghai Dongzhijie") 上海東之杰體育用品發展有限公司	PRC September 26, 2006	RMB1,000,000	–	100%	Retailing of sportswear and sports footwear
Chongqing Duoxin Business Consulting Company Limited ("Chongqing Duoxin") 重慶多鑫商務咨詢有限公司	PRC October 29, 2007	RMB500,000	–	100%	Consulting service

No statutory financial statements have been issued for FIL since the date of its incorporation as there is no such statutory requirement in British Virgin Islands.

The statutory financial statements of those subsidiaries for each of the two years ended December 31, 2007, or from the period of establishment to the period ended December 31, 2006, if applicable, prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC, were audited by for the following certified public accountants registered in the PRC:

Name of company	Financial year	Name of auditors
DZJ	Year ended December 31, 2006 and 2007	遼寧華益和會計師事務所有限公司 (Liaoning Huayihe Certified Public Accountants Company Limited)
Changsha Dongzhijie	Year ended December 31, 2006 and 2007	遼寧華益和會計師事務所有限公司 (Liaoning Huayihe Certified Public Accountants Company Limited)
Hebei Dongzhijie	Year ended December 31, 2006	石家莊順捷會計師事務所 (Shijiazhuang Shunjie Certified Pubic Accountants Company Limited)
	Year ended December 31, 2007	河北北泰會計師事務所有限公司 (Hebei Beitai Certified Pubic Accountants Company Limited)
Tangshan Baoteng	Year ended December 31, 2007	唐山正大會計師事務所有限責任公司
Qinhuangdao Guojian	Year ended December 31, 2007	河北衡信會計師事務所有限公司

Name of company	Financial year	Name of auditors
Henan Dongzhijie	Period from September 16, 2006 (date of establishment) to December 31, 2006 and year ended December 31, 2007	河南天宇聯合會計師事務所有限公司 (Henantianyu United Certified Pubic Accountants Company Limited)
Jiangxi Dongzhijie	Year ended December 31, 2006 and 2007	南昌華瑞聯合會計師事務所 (Nanchang Huarui Certified Pubic Accountants Company Limited)
Shanghai Dongzhijie	Period from September 26, 2006 (date of establishment) to December 31, 2006 and year ended December 31, 2007	上海海德會計師事務所有限公司 (Shanghai Haide Certified Pubic Accountants Company Limited)
Chongqing Duoxin	Period from October 29, 2007 (date of establishment) to December 31, 2007	遼寧華益和會計師事務所有限公司 (Liaoning Huayihe Certified Pubic Accountants Company Limited)

No audited financial statements of Langfang Xingainian has been prepared as this company is newly incorporated and its first financial year end date will be December 31, 2008.

For the purpose of this report, the directors of FIL have prepared consolidated financial statements of the FIL Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the FIL Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of FIL, who approved their issue. The directors of Pou Sheng are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the state of affairs of FIL and the FIL Group as at September 30, 2006, 2007 and 2008 and of the consolidated results and cash flows of the FIL Group for each of the period/year stated in the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Income Statements

	Notes	From May 23, 2006 (date of incorporation) to September 30, 2006 US$'000	Year ended September 30, 2007 US$'000	Year ended September 30, 2008 US$'000
Revenue	5	9,264	96,704	240,402
Cost of sales		(7,147)	(72,052)	(176,478)
Gross profit		2,117	24,652	63,924
Other income		89	565	1,271
Selling and distribution expenses		(1,696)	(18,165)	(32,095)
Administrative expenses		(199)	(3,020)	(3,625)
Interest on borrowings wholly repayable within five years		(34)	(305)	(1,233)
Profit before taxation		277	3,727	28,242
Income tax expense	6	(97)	(1,249)	(9,232)
Profit for the period/year	7	180	2,478	19,010

Consolidated Balance Sheets

		As at September 30,		
		2006	**2007**	**2008**
	Notes	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	11	1,427	4,999	7,421
Rental deposits		415	962	1,636
		1,842	5,961	9,057
CURRENT ASSETS				
Inventory	13	6,742	19,404	58,590
Trade and other receivables	14	3,798	9,150	29,101
Tax recoverable		–	90	–
Pledged bank deposits	15	–	200	219
Bank balances and cash	16	9,107	2,683	8,149
		19,647	31,527	96,059
CURRENT LIABILITIES				
Trade and other payables	17	7,926	16,964	35,291
Amounts due to related parties	18	1,882	21	12,433
Tax payable		–	1,209	6,167
Unsecured bank borrowings	19	5,820	8,624	17,520
		15,628	26,818	71,411
NET CURRENT ASSETS		4,019	4,709	24,648
TOTAL ASSETS LESS CURRENT LIABILITIES		5,861	10,670	33,705
NON CURRENT LIABILITY				
Deferred tax liabilities	20	–	–	1,992
NET ASSETS		5,861	10,670	31,713
CAPITAL AND RESERVES				
Share capital	21	–	–	–
Reserves		5,861	10,670	31,713
TOTAL EQUITY		5,861	10,670	31,713

Balance Sheets

		As at September 30,		
		2006	**2007**	**2008**
	Notes	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSET				
Investments in subsidiaries	12	1,882	7,490	7,693
CURRENT ASSETS				
Amount due from a subsidiary	12	–	–	2,000
Bank balances and cash	16	5,653	39	35
		5,653	39	2,035
CURRENT LIABILITIES				
Other payables	17	13	–	450
Amounts due to related parties	18	1,882	–	2,200
		1,895	–	2,650
NET CURRENT ASSETS (LIABILITIES)		3,758	39	(615)
NET ASSETS		5,640	7,529	7,078
CAPITAL AND RESERVES				
Share capital	21	–	–	–
Reserves	22	5,640	7,529	7,078
TOTAL EQUITY		5,640	7,529	7,078

Consolidated Statements of Changes in Equity

	Equity attributable to equity holders of FIL					
	Share capital US$'000	**Share premium** US$'000	**Non-distributable reserve** US$'000 (note)	**Translation reserve** US$'000	**Accumulated profits** US$'000	**Total** US$'000
At May 23, 2006 (date of incorporation)	–	–	–	–	–	–
Exchange difference arising from translation to presentation currency recognized directly in equity	–	–	–	41	–	41
Profit for the period	–	–	–	–	180	180
Total recognized income for the period	–	–	–	41	180	221
Issued of shares	–	5,640	–	–	–	5,640
Transfer	–	–	13	–	(13)	–
At September 30, 2006	–	5,640	13	41	167	5,861
Exchange difference arising from translation to presentation currency recognized directly in equity	–	–	–	449	–	449
Profit for the year	–	–	–	–	2,478	2,478
Total recognized income for the year	–	–	–	449	2,478	2,927
Issued of shares	–	1,882	–	–	–	1,882
Transfer	–	–	63	–	(63)	–
At September 30, 2007	–	7,522	76	490	2,582	10,670
Exchange difference arising from translation to presentation currency recognized directly in equity	–	–	–	2,033	–	2,033
Profit for the year	–	–	–	–	19,010	19,010
Total recognized income for the year	–	–	–	2,033	19,010	21,043
Transfer	–	–	168	–	(168)	–
At September 30, 2008	–	7,522	244	2,523	21,424	31,713

Note: According to the relevant laws in the PRC, wholly foreign-owned enterprises in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any. The non-distributable reserve fund is non-distributable other than upon liquidation.

Consolidated Cash Flow Statements

	From May 23, 2006 (date of incorporation) to September 30,	Year ended September 30,	
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
OPERATING ACTIVITIES			
Profit before taxation	277	3,727	28,242
Adjustments for:			
Depreciation of property, plant and equipment	144	1,055	3,380
Impairment loss recognized in respect of inventory	56	798	316
Interest on borrowings wholly repayable within five years	34	305	1,233
Loss on disposal of property, plant and equipment	1	35	2
Interest income	(4)	(37)	(68)
Operating cash flows before movements in working capital	508	5,883	33,105
Increase in inventory	(529)	(13,102)	(37,642)
Increase in trade and other receivables	(1,411)	(5,129)	(18,982)
Increase in amounts due to related parties	–	21	2,912
(Decrease) increase in trade and other payables	(663)	9,038	18,327
Cash used in from operations	(2,095)	(3,289)	(2,280)
PRC Enterprise Income Tax paid	(133)	(130)	(2,192)
Interest received	4	37	68
NET CASH USED IN OPERATING ACTIVITIES	(2,224)	(3,382)	(4,404)

	Note	From May 23, 2006 (date of incorporation) to September 30, 2006	Year ended September 30, 2007	2008
		US$'000	US$'000	US$'000
INVESTING ACTIVITIES				
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	23	1,678	(1,882)	–
Proceeds from disposal of property, plant and equipment		3	–	–
Increase in rental deposits		(415)	(547)	(674)
Purchase of property, plant and equipment		(166)	(4,476)	(5,152)
Increase in pledged bank deposits		–	(200)	(19)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		1,100	(7,105)	(5,845)
FINANCING ACTIVITIES				
Capital injection		5,640	1,882	–
Advance from related parties		–	–	9,500
New bank borrowings raised		4,597	15,783	41,417
Repayments of bank borrowings		–	(13,366)	(33,931)
Interest paid		(34)	(305)	(1,233)
NET CASH FROM FINANCING ACTIVITIES		10,203	3,994	15,753
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		9,079	(6,493)	5,504
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		28	69	(38)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		–	9,107	2,683
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by Bank balances and cash		9,107	2,683	8,149

Notes to the Financial Information

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The address of the registered office and principal place of business of FIL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Financial Information has been prepared in accordance with the accounting policies adopted by Pou Sheng, details of which are set out in Note 2, which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance.

The Financial Information is presented in United States Dollar ("USD"), that is different from the functional currency of FIL which is Renminbi ("RMB"). The directors consider that presenting financial information in USD is preferable for inclusion in the Circular of Pou Sheng, whose presentation currency is also USD.

The Financial Information has been prepared on a going concern basis because the operating cash flow of the FIL Group is able to provide adequate funds to enable FIL to meet in full its financial obligations as they fall due for the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the FIL Group has consistently adopted all the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for the FIL Group's financial period beginning on October 1, 2007 in the preparation of its Financial Information throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new, amended and revised standards or interpretation that 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 (Amendments)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
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 commencing on or after January 1, 2009 except for 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 first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of FIL and entities controlled by FIL (its subsidiaries). Control is achieved where FIL has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the FIL Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of businesses, other than those that involving entities under common control, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the FIL Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *"Business Combinations"* are recognized at their fair values at the acquisition date.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

Rental income, including rentals invoiced in advance, from letting of retail shops under operating lease, is recognized on a straight line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account their estimated residual value, using either the straight line method or reducing balance method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period/year in which the item is derecognized.

Investments in subsidiaries

Investments in subsidiaries are included in FIL's balance sheet at cost less any identified impairment loss.

Impairment on tangible and intangible assets

At each balance sheet date, the FIL Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of the individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the FIL Group's foreign operations are translated into the presentation currency of the FIL Group (i.e. USD) at the rate of exchange prevailing at the balance sheet date, and their income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other period/years, and it further excludes items that are never taxable or deductible. The FIL Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the respective balance sheet dates.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except when the FIL Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realized. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The FIL Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease terms on a straight-line basis.

The FIL Group as lessor

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

Retirement benefit scheme

Payments to defined contribution retirement benefit plan and state managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The FIL Group and FIL's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Income is recognized on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a shareholder, amount due from a subsidiary, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the FIL Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the FIL Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

The FIL Group and FIL's financial liabilities including trade and other payables, amounts due to related parties and unsecured bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by FIL are recorded at the proceeds received, net of direct issue cost.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the FIL Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment loss of inventories

The management of the FIL Group reviews the aging of the inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realizable value for such items based primarily on the latest invoice prices and current market conditions. The FIL Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Estimated impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the FIL Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at September 30, 2006, 2007 and 2008, the carrying amounts of trade receivables of the FIL Group were approximately US$1,622,000, US$5,627,000 and US$20,604,000, respectively.

5. REVENUE AND SEGMENTAL INFORMATION

No business segment analysis is presented as the turnover and results of FIL are wholly contributed by the retailing of sportswear and sports footwear in the PRC.

As at the respective balance sheet date, the identifiable assets of the FIL Group are all located in the PRC. Accordingly, no analysis on carrying amount of segment assets or addition to property, plant and equipment is presented.

6. INCOME TAX EXPENSE

	From May 23, 2006 (date of incorporation) to September 30,	Year ended September 30,	
	2006	2007	2008
	US$'000	*US$'000*	*US$'000*
Tax charge represents:			
PRC Enterprise Income Tax ("EIT")	97	1,249	7,240
Deferred tax *(Note 20)*	–	–	1,992
	97	1,249	9,232

No provision for Hong Kong Profits Tax has been made as the FIL Group did not generate any assessable profits arising in Hong Kong for the Relevant Periods.

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.

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 the 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 from 33% to 25% for the subsidiaries in the PRC from January 1, 2008 onwards, except as noted below.

Henan Dongzhijie and Shanghai Dongzhijie, being domestic commercial enterprises established on September 19 and 26, 2006 respectively, were entitled to exemption from PRC EIT for one calendar year starting from the date of commencement of operation upon approval from the tax authority in charge. According to the relevant rules, the enterprises may apply to postpone the entitlement of such tax exemption to the next calendar year if their dates of establishment were after June 30. Henan Dongzhijie and Shanghai Dongzhijie, applied to postpone the entitlement of tax exemption to the calendar year 2007 as evidenced by the respective approval certificates. Furthermore, according to the local practice applicable to domestic enterprises established in Shanghai Pudong New Area, Shanghai Dongzhijie was subject to PRC EIT at 18% for the period from January 1 to September 30, 2008. Henan Dongzhijie was subject to PRC EIT at 25% from January 1, 2008 onwards under the New Law.

Chongqing Duoxin was entitled to exemption from PRC EIT from the date of establishment of October 29, 2007 to December 31, 2007, since it operated in an approved special zone in the PRC. For the period from January 1 to September 30, 2008, Chongqing Duoxin was subject to PRC EIT rate at 15% since it is located in Developing Western Region and is engaged in encouraged industry, as evidenced by the respective approval certificate.

As set out in Note 20, deferred taxation of US$1,992,000 has been provided for the year ended September 30, 2008 in the Financial Information in respect of the undistributed profits earned by FIL's PRC subsidiaries starting from January 1, 2008 under the New Law as these profits are subject to withholding tax upon their distribution to the shareholders outside the PRC.

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation per consolidated income statements as follows:

	From May 23, 2006 (date of incorporation) to September 30, 2006	**Year ended September 30, 2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Profit before taxation	277	3,727	28,242
Tax at the applicable rates	91	1,230	7,061
Tax effect of expenses not deductible for tax purposes	5	172	421
Tax effect of income not taxable for tax purposes	–	(2)	(16)
Effect of tax loss not recognized	62	42	–
Utilization of tax loss previously not recognized	(61)	(36)	(7)
Deferred tax on undistributed earnings of PRC's subsidiaries since January 1, 2008	–	–	1,992
Tax effect of income subject to different tax rates prior to the adoption of the New Law	–	–	350
Effect of tax exemption granted to certain PRC subsidiaries	–	(157)	(569)
Income tax expense	97	1,249	9,232

At September 30, 2006, 2007 and 2008, the FIL Group had unutilised tax losses of approximately US$3,000, US$21,000 and Nil, respectively, available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profit streams.

7. PROFIT FOR THE PERIOD/YEAR

	From May 23, 2006 (date of incorporation) to September 30, 2006	Year ended September 30, 2007	2008
	US$'000	*US$'000*	*US$'000*
Profit for the period/year has been arrived at after charging (crediting):			
Directors' emoluments *(Note 8)*	1	20	78
Other staff costs	316	4,712	8,579
Retirement benefit scheme contributions, excluding directors	184	928	714
Total staff costs	501	5,660	9,371
Auditor's remuneration	2	3	454
Depreciation of property, plant and equipment	144	1,055	3,380
Loss on disposal of property, plant and equipment	1	35	2
Impairment loss recognized in respect of inventory	56	798	316
Interest income	(4)	(37)	(68)

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors for the Relevant Periods are as follows:

	Fees	Salaries and other allowances	Bonus	Retirement benefit scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the period from May 23, 2006 (date of incorporation) to September 30, 2006					
Executive directors:					
Mr. Liu Wen Jie	–	–	–	–	–
Mr. Liu Wen Xin	–	–	–	–	–
Mr. Li He Qing	–	–	–	–	–
Mr. Tang Ming Fu	–	1	–	–	1
Mr. Lee Chung Wen	–	–	–	–	–
Mr. Huang Chun Hua	–	–	–	–	–
Mr. Li Hui	–	–	–	–	–
	–	1	–	–	1
For the year ended September 30, 2007					
Executive directors:					
Mr. Liu Wen Jie	–	3	–	–	3
Mr. Liu Wen Xin	–	3	–	–	3
Mr. Li He Qing	–	2	–	–	2
Mr. Tang Ming Fu	–	10	–	2	12
Mr. Lee Chung Wen	–	–	–	–	–
Mr. Huang Chun Hua	–	–	–	–	–
Mr. Li Hui	–	–	–	–	–
	–	18	–	2	20
For the year ended September 30, 2008					
Executive directors:					
Mr. Liu Wen Jie	–	21	–	2	23
Mr. Liu Wen Xin	–	21	–	2	23
Mr. Li He Qing	–	14	–	2	16
Mr. Tang Ming Fu	–	14	–	2	16
Mr. Lee Chung Wen	–	–	–	–	–
Mr. Huang Chun Hua	–	–	–	–	–
Mr. Li Hui	–	–	–	–	–
Mr. Yamaguchi Tokuhiro	–	–	–	–	–
Long Rich Management Limited	–	–	–	–	–
	–	70	–	8	78

Employees

The five highest paid individuals of the FIL Group for the period from May 23, 2006 (date of incorporation) to September 30, 2006 and the year ended September 30, 2007 and 2008 included one, four and four directors, respectively, details of whose emoluments are set out above. The remunerations of the remaining individuals for the Relevant Periods are as follows:

	From May 23, 2006 (date of incorporation) to September 30, 2006	Year ended September 30, 2007	2008
	US$'000	*US$'000*	*US$'000*
Employee			
– salaries and other allowances	5	62	84
– bonus	–	–	–
– retirement benefit scheme contributions	–	–	–
	5	62	84

During the Relevant Periods, no emoluments were paid by the FIL Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the FIL Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

9. DIVIDENDS

No dividends have been paid or proposed by FIL since its date of incorporation.

10. EARNINGS PER SHARE

No earnings per share information is presented as it is not considered meaningful for the purpose of this report.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixture and equipment US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Total US$'000
COST				
On May 23, 2006 (date of incorporation)	–	–	–	–
Acquisition of subsidiaries	357	855	185	1,397
Exchange realignments	4	9	2	15
Additions	32	134	–	166
Disposals	(5)	–	–	(5)
At September 30, 2006	388	998	187	1,573
Exchange realignments	32	179	13	224
Additions	362	3,995	119	4,476
Disposals	(10)	(124)	–	(134)
At September 30, 2007	772	5,048	319	6,139
Exchange realignments	87	673	31	791
Additions	352	4,794	6	5,152
Disposals	(11)	–	–	(11)
At September 30, 2008	1,200	10,515	356	12,071
DEPRECIATION				
On May 23, 2006 (date of incorporation)	–	–	–	–
Exchange realignments	1	2	–	3
Provided for the year	14	123	7	144
Eliminated on disposals	(1)	–	–	(1)
At September 30, 2006	14	125	7	146
Exchange realignments	4	32	2	38
Provided for the year	118	882	55	1,055
Eliminated on disposals	(3)	(96)	–	(99)
At September 30, 2007	133	943	64	1,140
Exchange realignments	21	109	9	139
Provided for the year	198	3,111	71	3,380
Eliminated on disposals	(9)	–	–	(9)
At September 30, 2008	343	4,163	144	4,650
CARRYING VALUE				
At September 30, 2006	374	873	180	1,427
At September 30, 2007	639	4,105	255	4,999
At September 30, 2008	857	6,352	212	7,421

The above items of property, plant and equipment are depreciated at the following rates per annum:

Furniture, fixture and equipment	20% – 30% (reducing balance method)
Leasehold improvements	10% – 50% (reducing balance method)
Motor vehicles	20% – 30% (reducing balance method)

12. INVESTMENT IN/AMOUNT DUE FROM A SUBSIDIARY

	As at September 30,		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Unlisted investment, at cost	1,882	7,490	7,693
Amount due from a subsidiary	–	–	2,000

The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, the amount will be repaid within one year from the balance sheet date and is therefore shown in the balance sheet as current.

13. INVENTORY

	As at September 30,		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Finished goods	6,742	19,404	58,590

14. TRADE AND OTHER RECEIVABLES

	As at September 30,		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Trade receivables	1,622	5,627	20,604
Other receivables	2,176	3,523	8,497
	3,798	9,150	29,101

Included in trade receivables was a trading balance with a jointly controlled entity of Dragonlight Group of approximately nil, nil and US$2,000,000 as at September 30, 2006, 2007 and 2008 respectively.

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. The FIL Group generally allows an average credit period of 30 days to 90 days to its debtors. The aged analysis of the FIL Group's trade receivables is as follows:

	As at September 30,		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Trade receivables:			
0 – 30 days	1,622	5,627	20,604

Majority of the trade receivables that are neither past due nor impaired have no default payment history. At the respective balance sheet date, the FIL Group had no trade receivables that were past due.

15. PLEDGED BANK DEPOSITS

The balance represents the deposits pledged to banks to secure banking facilities granted to the FIL Group. The pledged bank deposits of the FIL Group carried fixed interest rate of 2.52% and 4.14% per annum for the year ended September 30, 2007 and 2008, respectively. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

16. BANK BALANCES AND CASH

These comprise bank balances and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates. All deposits are with original maturity of three months or less.

The ranges of interest rates on the bank deposits are as follows:

	As at September 30,		
	2006	**2007**	**2008**
Effective interest rates:			
Variable rate deposits	0.72% to 1.50%	0.72% to 1.40%	0.72% to 1.40%

17. TRADE AND OTHER PAYABLES

	THE FIL GROUP			**FIL**		
	As at September 30,			**As at September 30,**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade payables	2,704	9,706	27,448	–	–	–
Other payables	5,222	7,258	7,843	13	–	450
	7,926	16,964	35,291	13	–	450
The aged analysis of the FIL Group's trade payables is as follows:						
0 – 30 days	2,704	9,706	27,448	–	–	–

18. AMOUNTS DUE TO RELATED PARTIES

Particulars of the amounts due to related parties:

	THE FIL GROUP			FIL		
	As at September 30,			As at September 30,		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Former shareholders of DZJ *(note a)*	1,822	–	–	1,822	–	–
Fellow subsidiaries of Pou Sheng *(note b)*	–	21	5,133	–	–	2,200
Dragonlight (China) Sports Goods Company Limited *(note c)*	–	–	7,300	–	–	–
	1,822	21	12,433	1,822	–	2,200

notes:

(a) The amounts represented consideration payables to the former shareholders of DZJ in connection to FIL's acquisition of DZJ as detailed in Note 23. Certain of these shareholders are the shareholders of Proudview, the holding company of FIL. The amounts were unsecured, non-interest bearing and fully repaid during the year ended September 30, 2007.

(b) Included in the amounts of the FIL Group were trading balances of Nil, US$21,000 and US$2,933,000 as at September 30, 2006, 2007 and 2008 respectively aged within 0-30 days which will be settled according to the FIL Group's normal commercial term. The remaining balance represents temporary fund transfers which are non-trade in nature. The amounts are unsecured, non-interest bearing and repayable on demand.

(c) The amounts represented a loan from Dragonlight (China) Sports Goods Company Limited, a wholly owned subsidiary of Dragonlight Group. The loan is secured by the equity interests of FIL held by Proudview, interest bearing at the quoted lending rate of People's Bank of China and repayable within one year.

19. UNSECURED BANK BORROWINGS

	As at September 30,		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Variable rate borrowings:			
Unsecured	5,820	8,624	17,520

All the bank borrowings at the balance sheet date are repayable within one year or upon demand and are included under current liabilities.

The FIL Group's borrowings carry interest at prevailing rates in the PRC. Interest is repriced every six to twelve months.

The range of effective interest rates (which are also equal to contracted interest rates) on the FIL Group's bank borrowings are as follows:

	From May 23, 2006 (date of incorporation) to September 30, 2006	For the year ended September 30, 2007	2008
Effective interest rates:			
Variable rate borrowings	5.40% to 7.02%	5.40% to 7.67%	6.93% to 7.62%

The FIL Group's bank borrowings are secured by guarantees given by:

	As at September 30, 2006	2007	2008
	US$'000	*US$'000*	*US$'000*
Shareholders of Proudview	–	7,042	6,791
Subsidiaries of Pou Sheng *(note)*	5,061	316	1,971

In addition, bank borrowings of US$759,000, US$1,266,000 and US$8,758,000 at September 30, 2006, 2007 and 2008 respectively were supported by cross-guarantees of FIL's subsidiaries.

Note: Certain directors of FIL are the key management personnel of the relevant subsidiaries of Pou Sheng.

20. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognized by the FIL Group and movement thereon during the Relevant Periods.

	Undistributed earnings of PRC's subsidiaries
	US$'000
At May 23, 2006, October 1, 2006 and September 30, 2007	–
Charge to consolidated income statement *(Note 6)*	1,992
At September 30, 2008	1,992

21. SHARE CAPITAL

	Number of shares	Amounts
		US$
Ordinary shares of US$1 each		
Authorised:		
At May 23, 2006 (date of incorporation), September 30, 2006, 2007 and 2008	50,000	50,000
Issued and fully paid:		
At May 23, 2006 (date of incorporation) and at September 30, 2006	30	30
Issued and allotted during the year ended September 30, 2007	70	70
At September 30, 2007 and 2008	100	100

FIL was incorporated with an authorised share capital of US$50,000, divided into 50,000 ordinary shares of US$1 each. On the date of incorporation, 30 ordinary shares of US$1 each were issued with a share premium of US$5,640,000.

70 ordinary shares of US$1 each were issued with a share premium of US$1,882,000 during the year ended September 30, 2007. The shares were issued for the purpose of raising additional working capital.

22. RESERVES OF FIL

	Share premium	Accumulated profits	Total
	US$'000	*US$'000*	*US$'000*
FIL			
At May 23, 2006 (date of incorporation)	–	–	–
Issued of shares	5,640	–	5,640
September 30, 2006	5,640	–	5,640
Issued of shares	1,882	–	1,882
Profit for the year	–	7	7
At September 30, 2007	7,522	7	7,529
Loss for the year	–	(451)	(451)
At September 30, 2008	7,522	(444)	7,078

23. ACQUISITION OF A SUBSIDIARY

On August 1, 2006, FIL entered into a sales and purchase agreement to acquire 100% interests in DZJ for a consideration of RMB15,000,000 (equivalent to approximately US$1,882,000) from its then shareholders. Certain of the vendors are also the shareholders of Proudview. The consideration was determined at a mutually agreed price between the buyer and the seller with reference to the fair value of the net assets. This acquisition has been accounted for using the purchase method.

The carrying amounts and fair value of the net assets acquired in the transaction are as follows:

	US$'000
	(note)
Net assets acquired:	
Property, plant and equipment	1,397
Inventory	6,215
Trade and other receivables	2,366
Tax recoverable	399
Bank balances and cash	1,678
Trade and others payables	(8,515)
Tax payable	(435)
Bank borrowings	(1,223)
	1,882
Satisfied by:	
Consideration payable	1,882
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	1,678

The consideration payable was fully settled on December 12, 2006.

note: The fair values of the net assets acquired approximate to their then carrying amounts.

DZJ contributed US$9,264,000 and US$180,000 to revenue and profit for the period, respectively, of the FIL Group between the date of acquisition and September 30, 2006.

If the acquisition had been completed on May 23, 2006 (the date of incorporation), the FIL Group's revenue and profit for the period ended September 30, 2006 would have been US$13,262,000 and US$295,000, respectively. This pro forma information is for illustration purposes only and is not necessarily an indication of the revenue and results of the FIL Group that would actually have been achieved had the acquisition been completed on May 23, 2006, nor is it intended to be a projection of future results.

24. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to banks to secure short-term bank borrowings granted to the FIL Group:

	As at September 30,		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Bank deposits	–	200	219

25. OPERATING LEASES

The FIL Group as lessee

The FIL Group had made the following lease payments during the Relevant Periods as follow:

	From May 23, 2006 (date of incorporation) to September 30, 2006	Year ended 2007	September 30, 2008
	US$'000	*US$'000*	*US$'000*
Operating lease rentals in respect of:			
Minimum lease payments:			
– Street level stores	138	1,373	1,814
– Shopping mall stores	208	2,059	2,721
	346	3,432	4,535
Contingent rentals	470	5,861	13,157
	816	9,293	17,692

At the respective balance sheet dates, the FIL Group had commitments for future minimum lease payments for retail shops and other properties under non-cancellable operating leases which fall due as follows:

	As at September 30, 2006	2007	2008
	US$'000	*US$'000*	*US$'000*
Within one year	4	50	7
In the second to fifth year inclusive	2,198	2,712	2,551
Over five years	1,052	812	516
	3,254	3,574	3,074

Operating lease payments represent rentals payable by the FIL Group for certain of its retail shops and other properties. Leases are negotiated for lease terms of 1 to 8 years.

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the FIL Group. In general, these contingent rents are calculated with reference to the relevant retail shops' turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent payable.

The FIL Group as lessor

At the balance sheet dates, the FIL Group had contracted with tenants for the following future minimum lease receipts in respect of the sub-leases of certain shopping mall space:

	From May 23, 2006 (date of incorporation) to September 30, 2006	Year ended 2007	September 30, 2008
	US$'000	*US$'000*	*US$'000*
Within one year	28	52	19
In the second to fifth year inclusive	45	18	–
	73	70	19

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rent to the FIL Group. In general, these contingent rents are calculated with reference to the turnover generated by the tenants operating in the FIL Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent payable. Rental income received by FIL Group for the period from May 23, 2006 (date of incorporation) to September 30, 2006 and two years ended September 30, 2007 and 2008 were US$502,000, US$4,023,000 and US$5,721,000, respectively, included in which was rental income arising from contingent lease contracts of US$474,000, US$3,957,000 and US$5,664,000, respectively.

26. CAPITAL COMMITMENTS

	As at September 30, 2006	2007	2008
	US$'000	*US$'000*	*US$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of:			
– acquisition of property, plant and equipment	12	10	70

27. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the FIL Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

As at September 30, 2006, 2007 and 2008, the FIL Group had no significant obligation apart from the contribution as stated above.

28. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the Relevant Periods, the FIL Group had the following related party transactions:

Name of related parties	Nature of transaction	From (date of incorporation) May 23, 2006 to September 30, 2006	Year ended September 30, 2007	Year ended September 30, 2008
		US$'000	*US$'000*	*US$'000*
Subsidiaries of Pou Sheng	Purchase of finished goods	–	345	7,651
Jointly controlled entity of Dragonlight Group	Sales of finished goods	–	–	526
Shareholders of Proudview	Acquisition of a subsidiary *(Note 23)*	1,882	–	–
Dragonlight (China) Sports Goods Company Limited	Interest expenses	–	–	124

(b) Related party balances

Details of the FIL Group's outstanding balances with related parties are set out on the consolidated balance sheets and in Notes 14 and 18.

(c) Credit facilities

Certain of the FIL Group's bank borrowing facilities are secured by guarantees given by related parties as set out in Note 19.

(d) Compensation of key management personnel

	From May 23, 2006 (date of incorporation) to September 30, 2006	Year ended September 30, 2007	Year ended September 30, 2008
	US$'000	*US$'000*	*US$'000*
Short term benefits	1	20	78
Post employment benefits	–	–	–
	1	20	78

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

29. CAPITAL RISK MANAGEMENT

The management of FIL and the FIL Group ("Management") manages capital to ensure that the entities in the FIL Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of entities in the FIL Group and FIL consists of debts, which include amounts due to related parties, the bank borrowings disclosed in Note 19, and equity attributable to equity holders of FIL, comprising issued share capital, reserves and accumulated profits.

Management reviews the capital structure regularly. As part of this review, the directors of FIL assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. Entities in the FIL Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE FIL GROUP As at September 30,			**FIL As at September 30,**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial assets						
Loans and receivables (including cash and cash equivalents)	11,439	9,150	30,185	5,653	39	2,035
Financial liabilities						
Amortized cost	(10,682)	(19,271)	(59,633)	(1,882)	–	(2,200)

(b) Financial risk management objectives

The FIL Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances, trade and other payables, amounts due to related parties and unsecured bank borrowings. FIL's major financial instruments include amount due from a subsidiary, bank balances, and amounts due to related parties. Details of these financial instruments are disclosed in the respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

During the Relevant Periods, there has been no change to the exposure of entities in the FIL Group and FIL to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk

The FIL Group is exposed to cash flow interest rate risk primarily in relation to its variable rate bank balances and borrowings. FIL is exposed to cash flow interest rate risk primarily in relation to its variable rate bank balances. It is the FIL Group's policy to keep its bank and other borrowings at variable rate of interest so as to minimise the fair value interest rate risk. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of variable rate bank balances and borrowings. the analysis is prepared assuming the amounts of assets and liabilities outstanding at the balance sheet date were outstanding for the whole period/year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interests rates increased by 100 basis points and all other variables were held constant, the profit of the FIL Group would have increased (decreased) and the profit (loss) of FIL would have increased/decreased by the following:

	From May 23, 2006 (date of incorporation) to September 30,	**Year ended September 30,**	
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
The FIL Group			
Profit for the period/year	11	(42)	(146)
FIL			
Profit (loss) for the period/year	38	1	1

(ii) Credit risk

At the respective balance sheet date, the maximum exposure of FIL and the FIL Group to credit risk which will cause a financial loss due to failure to perform an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the balance sheet and consolidated balance sheets.

In order to minimise the credit risk, management has monitoring procedures to ensure that appropriate actions are taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the credit risk is significantly reduced.

With respect to credit risk and concentration risk arising from amount due from a subsidiary, FIL's exposure to credit risk arising from default of the counterparty is limited as the counterparty has a good history of repayment and FIL does not expect to incur a significant loss for uncollected amount due from this counterparty.

The FIL Group's debtor base is diverse and the trade receivables consist of a large number of banks, malls and department stores. Therefore, the FIL Group does not have any significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(iii) Liquidity risk

Regarding liquidity risk, Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the operations and mitigate the effects of fluctuations in cash flows. Management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The FIL Group and FIL rely on advances from related parties as a source of liquidity. In addition, the FIL Group relies on bank borrowings as a significant source of liquidity. The operation cash flow of FIL Group is able to provide adequate funds to FIL to maintain its liquidity position and, accordingly, the directors believe that FIL's liquidity risk is not significant.

The following tables detail the contractual maturity for the non-derivative financial liabilities of FIL and the FIL Group. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which FIL and the FIL Group can be required to pay. The tables include both interest and principal cash flows.

Liquidity risk table

THE FIL GROUP

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at September 30, 2006							
Non-interest bearing	–	4,862	–	–	–	4,862	4,862
Variable interest rate instruments	6.21	481	972	4,657	–	6,110	5,820
		5,343	972	4,657	–	10,972	10,682
As at September 30, 2007							
Non-interest bearing	–	10,647	–	–	–	10,647	10,647
Variable interest rate instruments	6.64	1,340	4,704	2,841	–	8,885	8,624
		11,987	4,704	2,841	–	19,532	19,271
As at September 30, 2008							
Non-interest bearing	–	34,813	–	–	–	34,813	34,813
Variable interest rate instruments	7.28	4,407	13,379	7,831	–	25,617	24,820
		39,220	13,379	7,831	–	60,430	59,633

FIL

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at September 30, 2006							
Non-interest bearing	–	1,882	–	–	–	1,882	1,882
As at September 30, 2007							
Non-interest bearing	–	–	–	–	–	–	–
As at September 30, 2008							
Non-interest bearing	–	2,200	–	–	–	2,200	2,200

(c) Fair value of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

31. CONTINGENT LIABILITIES

As at September 30, 2006, 2007 and 2008, the FIL Group had no significant contingent liabilities.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of FIL, the FIL Group or any other entity within the FIL Group have been prepared in respect of any period subsequent to September 30, 2008.

C. ULTIMATE HOLDING COMPANY

FIL's ultimate holding Company is Proudview.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following are the unaudited pro forma statement of assets and liabilities on the Enlarged Group and the text of the accountants' report thereon from the reporting accountant Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

INTRODUCTION TO THE PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

A. Introduction

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of (I) the proposed DZJ Acquisition on the basis that the consideration will be settled by (a) cash in the amount of US$54,946,359 and (b) the issue of 393,584,541 Pou Sheng Shares and (II) the proposed issue of 421,621,622 Pou Sheng Shares to Yue Yuen pursuant to the Yue Yuen Subscription.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the audited consolidated balance sheet of Pou Sheng as at September 30, 2008, which has been extracted from the annual report of Pou Sheng for the year then ended, and the audited consolidated balance sheet of FIL on the same date as extracted from the accountants' report thereon set out in Appendix II to this circular as if the DZJ Acquisition and the Yue Yuen Subscription had been completed on September 30, 2008.

The unaudited pro forma statement of assets and liabilities is prepared to provide information on the Enlarged Group as a result of the completion of the DZJ Acquisition and Yue Yuen Subscription. As it is prepared for illustration purpose only, it does not purport to represent what the financial position of the Enlarged Group will be on completion of the DZJ Acquisition and the Yue Yuen Subscription.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

AT SEPTEMBER 30, 2008

	The Group	The FIL Group	Combined Total	Pro Forma Adjustments on the DZJ Acquisition	Notes	Pro Forma Enlarged Group after the DZJ Acquisition before the Yue Yuen Subscription	Pro Forma Adjustment on the Yue Yuen Subscription	Notes	Pro Forma Enlarged Group after the DZJ Acquisition and the Yue Yuen Subscription
	US$'000	*US$'000*	*US$'000*	*US$'000*		*US$'000*	*US$'000*		*US$'000*
NON-CURRENT ASSETS									
Property, plant and equipment	169,564	7,421	176,985	–		176,985	–		176,985
Deposit for acquisition of property, plant and equipment	22,447	–	22,447	–		22,447	–		22,447
Prepaid lease payments	15,772	–	15,772	–		15,772	–		15,772
Goodwill	2,101	–	2,101	81,164	(a)(b)	83,265	–		83,265
Interests in associates	20,357	-	20,357	(12,517)	(b)	7,840	–		7,840
Loan to an assosciate	7,304	–	7,304	(7,304)	(c)	–	–		–
Interests in joint controlled entities	65,207	–	65,207	–		65,207	–		65,207
Loans to joint controlled entities	75,604	–	75,604	–		75,604	–		75,604
Rental deposits and prepayments	35,408	1,636	37,044	–		37,044	–		37,044
Deferred tax assets	1,908	–	1,908	–		1,908	–		1,908
	415,672	9,057	424,729	61,343		486,072	–		486,072
CURRENT ASSETS									
Inventories	250,623	58,590	309,213	–		309,213	–		309,213
Trade and other receivables	217,485	29,101	246,586	(1,756)	(c)	244,830	–		244,830
Rental deposits and prepayments	5,855		5,855	–		5,855	–		5,855
Prepaid lease payments	482	–	482	–		482	–		482
Taxation recoverable	154	–	154	–		154	–		154
Derivative financial instruments	59,744	–	59,744	–		59,744	–		59,744
Amounts due from related parties	1,801		1,801	–		1,801	–		1,801
Pledged bank deposits	2,337	219	2,556	–		2,556	–		2,556
Bank balances and cash	183,253	8,149	191,402	(54,946)	(a)	136,456	50,000	(d)	186,456
	721,734	96,059	817,793	(56,702)		761,091	50,000		811,091

	The Group	The FIL Group	Combined Total	Pro Forma Adjustments on the DZJ Acquisition	Notes	Pro Forma Enlarged Group after the DZJ Acquisition before the Yue Yuen Subscription	Pro Forma Adjustment on the Yue Yuen Subscription	Notes	Pro Forma Enlarged Group after the DZJ Acquisition and the Yue Yuen Subscription
	US$'000	*US$'000*	*US$'000*	*US$'000*	*Notes*	*US$'000*	*US$'000*	*Notes*	*US$'000*
CURRENT LIABILITIES									
Trade and other payables	151,275	35,291	186,566	(1,756)	(c)	184,810	–		184,810
Amounts due to related parties	1,919	12,433	14,352	(7,304)	(c)	7,048	–		7,048
Taxation payable	6,728	6,167	12,895	–		12,895	–		12,895
Bank borrowings	306,288	17,520	323,808	–		323,808	–		323,808
	466,210	71,411	537,621	(9,060)		528,561	–		528,561
NET CURRENT (LIABILITIES) ASSETS	255,524	24,648	280,172	(47,642)		232,530	50,000		282,530
TOTAL ASSETS LESS CURRENT LIABILITIES	671,196	33,705	704,901	13,701		718,602	50,000		768,602
NON-CURRENT LIABILITIES									
Bank borrowings	5,843	–	5,843	–		5,843	–		5,843
Deferred tax liabilities	3,044	1,992	5,036	–		5,036	–		5,036
	8,887	1,992	10,879	–		10,879	–		10,879
NET ASSETS	662,309	31,713	694,022	13,701		707,723	50,000		757,723

Notes to pro forma balance sheet

(a) The goodwill arising on the DZJ Acquisition is calculated as follow:

	US$'000
70% of the net asset value of FIL Group at September 30, 2008 *(note i)*	22,199
Goodwill	78,161
Total consideration	100,360
Consideration satisfied by:	
Shares *(note ii)*	45,414
Cash	54,946
	100,360

notes:

(i) The net assets value of the FIL, based on the carrying amounts of its assets and liabilities at September 30, 2008 as if the DZJ Acquisition was completed on September 30, 2008 and assuming the fair values of the assets and liabilities approximate to the carrying amounts, will be adjusted upon completion of the DZJ Acquisition with reference to the fair values of its assets, liabilities and contingent liabilities at that date.

Since the fair value of the assets and liabilities of FIL at the date of completion of the DZJ Acquisition may be substantially different from the fair values used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amounts of the identifiable assets (including other intangible assets), liabilities and contingent liabilities, as well as goodwill to be recognised in connection with the DZJ Acquisition could be different from the estimated amounts stated herein.

(ii) This represents 393,584,541 Pou Sheng shares at HK$0.900 (equivalent to US$0.12), representing the closing price of the Pou Sheng Shares at September 30, 2008 as if the DZJ Acquisition was completed on September 30, 2008.

The fair value of the Consideration Shares will be adjusted subsequently with reference to the market price of the Pou Sheng Shares on the date of completion of DZJ Acquisition.

(b) This represents elimination of Pou Sheng's investment of 30% interests in FIL from interest in associates and reclassification of the relevant goodwill of US$3,003,000.

(c) This represents the elimination of the balances between the Pou Sheng Group and the FIL Group.

(d) This represents the proceeds from the Yue Yuen Subscription of 421,621,622 Yue Yuen Subscription Shares, at the Yue Yuen Subscription Price of HK$0.925 (equivalent to US$0.12) per new Pou Sheng Share pursuant to the Yue Yuen Subscription Agreement.

(e) The exchange rate for Hong Kong dollar to United States dollar is 7.8.

Deloitte.
德勤

February 4, 2009

ACCOUNTANTS' REPORT
ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES
TO THE DIRECTORS OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

We report on the unaudited pro forma statement of assets and liabilities of Pou Sheng International (Holdings) Limited (the "Pou Sheng") and its subsidiaries (hereinafter collectively referred to as the "Pou Sheng Group") set out on pages 139 to 141 in Appendix III to the circular dated February 4, 2009 (the "Circular"), which has been prepared by the directors for illustration purpose only, to provide information about how the acquisition of 70% equity interests in Farsighted International Limited and the proposed issue of shares by Pou Sheng to Yue Yuen Industrial (Holdings) Limited might have affected the financial information presented. The basis of preparation of the unaudited pro forma statement of assets and liabilities is set out in page 138 in Appendix III to the Circular.

Respective responsibilities of directors of the Company and the reporting accountants

It is the responsibility solely of the directors of Pou Sheng to prepare the unaudited pro forma statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of assets and liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of assets and liabilities with the directors of Pou Sheng. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of Pou Sheng on the basis stated, that such basis is consistent with the accounting policies of the Pou Sheng Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of assets and liabilities is for illustration purpose only, based on the judgements and assumptions of the directors of Pou Sheng Group, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Pou Sheng Group as at September 30, 2008 or at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of Pou Sheng on the basis stated;

(b) such basis is consistent with the accounting policies of Pou Sheng; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Authorised		*HK$*
30,000,000,000	Shares	300,000,000
Issued and to be issued, fully paid or credited as fully paid:		
3,567,559,000	Shares in issue on the Latest Practicable Date	35,675,590.00
393,584,541	Consideration Shares to be issued	3,935,845.41
421,621,622	Subscription Shares to be issued	4,216,216.22
4,382,765,163	Shares	43,827,651.63

All the Shares rank, and the Consideration Shares and Subscription Shares on issue will rank, *pari passu* in all respects, including as to rights to dividend, and voting and interests in the capital.

3. DISCLOSURE OF INTERESTS

(I) Directors' Interests

Interests and/or short positions of the Directors and chief executives

As at the Latest Practicable Date, the interests and/or short positions of our Directors and chief executives of our Company in the Shares, underlying Shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained set out in Appendix 10 to the Listing Rules adopted by the Company to be notified to the Company and the Stock Exchange are as follows:

Long position in the Shares and underlying Shares of our Company

Name	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding
David N.F. Tsai	Beneficial Interest	3,037,000 Shares	0.085%
Tsai Pei Chun, Patty	Beneficial Interest	4,460,000 Shares	0.125%
Lee Chung Wen	Beneficial Interest	18,638,000 Shares[(1)]	0.522%
Huang Chun Hua	Beneficial Interest	12,425,000 Shares[(1)]	0.348%
Chang Karen Yi-Fen	Beneficial Interest	14,910,000 Shares[(1)]	0.418%
Lu Ning	Beneficial Interest	15,975,000 Shares[(1)]	0.448%
Huang Tsung Jen	Interest of a controlled corporation	277,976,000 Shares[(2)]	7.79%

(1) The Directors had accepted invitations to subscribe for the Shares as indicated pursuant to the Company's pre-IPO share subscription plan. They are interested in these Shares within the meaning of Part XV of the SFO.

(2) The shares are held by Sports Group Limited, which is wholly owned by The Huang Family Trust, a discretionary trust of which trustee is Managecorp Limited. The Huang Family Trust was set up by Mr. Huang Tsung Jen for the benefit of his family members. Mr. Huang Tsung Jen as the founder of The Huang Family Trust is deemed to be interested in such shares under the SFO.

(II) Shareholder's Interests

Interests and/or short positions of the Substantial Shareholders

As at the Latest Practicable Date, so far as the Directors or chief executives of the Company are aware, the following persons (not being a Director or a chief executive of our Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(i) Interest in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature of Interest	Number and class of securities(1)	Approximate percentage of interest in our Company
Major Focus Management Limited	Beneficial Interest	1,986,723,000 Shares(2)	55.69%
Wealthplus Holdings Limited	Interests of a controlled corporation	2,408,344,622 Shares(2, 3)	67.50%
Yue Yuen	Beneficial Interest	421,621,622 Shares(7)	11.81%
Yue Yuen	Interests of a controlled corporation	1,986,723,000 Shares(2, 3)	55.69%
Pou Chen Corporation	Interests of a controlled corporation	2,408,344,622 Shares(2, 3)	67.50%
Sitori Trading Limited	Interests of a controlled corporation	366,945,000 Shares(4)	10.29%
Shih Ching-I	Interests of a controlled corporation	366,945,000 Shares(4)	10.29%
Jollyard Investments Limited	Beneficial Interest	366,945,000 Shares(4)	10.29%
Chiang Lin-Lin	Spousal Interest	277,976,000 Shares(5)	7.79%
Sports Group Limited	Beneficial Interest	277,976,000 Shares(6)	7.79%
Huang Tsung Jen	Interests of a controlled corporation	277,976,000 Shares(6)	7.79%
Managecorp Limited	Trustee	277,976,000 Shares(6)	7.79%
Chan Chou-Hou	Spousal Interest	393,584,541 Shares(8)	11.03%

Name of Shareholder	Capacity/Nature of Interest	Number and class of securities[(1)]	Approximate percentage of interest in our Company
Noriko Yamaguchi	Interests of a controlled corporation	393,584,541 Shares[(9)]	11.03%
Megabillion Invesment Limited	Interests of a controlled corporation	393,584,541 Shares[(9)]	11.03%
Long Rich Management Limited	Interests of a controlled corporation	393,584,541 Shares[(9)]	11.03%
Proudview Holdings Limited	Beneficial Interest	393,584,541 Shares[(9)]	11.03%

(1) All the Shares are long positions.

(2) 1,986,723,000 Shares are held by Major Focus Management Limited. Major Focus Management Limited is a wholly-owned subsidiary of Yue Yuen. Mr. Edward Y. Ku who is a Director is also a director of Major Focus Management Limited.

(3) Pou Chen Corporation is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Wealthplus Holdings Limited, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Yue Yuen. Wealthplus Holdings Limited is wholly owned by Pou Chen Corporation and is interested in 49.98% of the issued share capital of Yue Yuen. Mr. David N. F. Tsai and Miss Tsai Pei Chun, Patty who are Directors are also directors of Wealthplus Holdings Limited. Mr. David N. F. Tsai who is a Director is also a director of Pou Chen Corporation. Mr. David N. F. Tsai, Mr. Edward Y. Ku, and Miss Tsai Pei Chun, Patty who are Directors are also directors of Yue Yuen.

(4) These shares are held by Jollyard Investments Limited. Jollyard Investments Limited is wholly-owned by Sitori Trading Limited, which is in turn wholly-owned by Ms. Shih Ching-I.

(5) These shares are held by Sports Group Limited which is wholly-owned by The Huang Family Trust of which Mr. Huang Tsung Jen, an executive Director of the Company, is the founder. Ms. Chiang Lin-Lin is a spouse of Mr. Huang Tsung Jen and is therefore deemed to be interested in these Shares as Mr. Huang Tsung Jen is also deemed to be interested in more than 5% of the issued share capital of the Company through Sports Group Limited.

(6) The shares are held by Sports Group Limited, which is wholly-owned by The Huang Family Trust, a discretionary trust of which trustee is Managecorp Limited. The Huang Family Trust was set up by Mr. Huang Tsung Jen for the benefit of his family members. Mr. Huang Tsung Jen as the founder of The Huang Family Trust is deemed to be interested in such shares under the SFO. Mr. Huang Tsung Jen who is a Director is also a director of Sports Group Limited.

(7) Yue Yuen is regarded as having an interest in 421,621,622 Shares under the SFO by entering into the Yue Yuen Subscription Agreement. Pou Chen Corporation is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Wealthplus Holdings Limited, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Yue Yuen.

(8) Mr. Chan Chou-Hou is a spouse of Ms. Noriko Yamaguchi and is therefore deemed to be interested in these Shares under the SFO.

(9) Proudview Holdings Limited is regarded as having an interest in these Shares by entering into the DZJ Acquisition Agreement under the SFO. Noriko Yamaguchi is deemed to be interested in these Shares under the SFO by virtue of her interests in more than one third of the voting shares in Megabillion Investment Limited, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Long Rich Management Limited, which in turn is deemed to be interested in these Shares under the SFO by virtue of its interests in more than one third of the voting shares in Proudview Holdings Limited.

(ii) Substantial Shareholders of other members of the Group

Name of entities or person holding 10% or more interest in a member of the Group	Nature of interest	Interest in relevant company	Name of the subsidiary
Weifang Liwei Economic and Trading Company Limited (濰坊力威經貿有限公司)	Beneficial	28%	Qingdao Baoruina Sports Goods Company Limited (青島寶瑞納體育用品有限公司)
Glorious Win Developments Limited	Beneficial	10%	Fujian Baomin Sporting Goods Co., Ltd. (福建寶閩體育用品有限公司)
Qiu Xiao Jie (邱小杰)	Beneficial	20%	Hubei Shengdao Sports Goods Company Limited (湖北勝道體育用品有限公司)
Xu Feng (徐風)	Beneficial	20%	Hubei Shengdao Sports Goods Company Limited (湖北勝道體育用品有限公司)
Lu Shan (盧山)	Beneficial	16%	Yunnan Shengdao Sports Goods Company Limited (雲南勝道體育用品有限公司)
Lu Li (盧力)	Beneficial	16%	Yunnan Shengdao Sports Goods Company Limited (雲南勝道體育用品有限公司)
Parfeuri Investments Limited	Beneficial	49%	Profit Concept Group Limited
Sharp Peak Group Limited	Beneficial	34.33%	Business Network Holdings Limited
江西洪發體育用品發展有限公司	Beneficial	22.33%	江西寶洪體育用品有限公司

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Set out below are interests of our Directors in a business which may compete with our business for the purpose of Rule 8.10(2) of the Listing Rules as at the Latest Practicable Date.

Name of Director	Name of Company	Nature of business	Nature of Interest
Mr. Edward Y. Ku	Symphony Holdings Limited	Manufacturing and sales of footwear products Retail and wholesale business of apparel and footwear in the PRC	Directorship

Symphony Holdings Limited ("Symphony") is a company whose ordinary shares are listed on the main board of the Stock Exchange. According to public available information, as at September 30, 2008, Yue Yuen was interested in approximately 53.01% of the total issued share capital of Symphony through a jointly controlled entity in which Yue Yuen has 40% interest. Mr. Edward Y. Ku, the vice-chairman and a non-executive Director of the Company, is a director of Yue Yuen and Symphony, and may be regarded as having an interest in a potential competing business. Symphony and its subsidiaries have been operating under separate and independent management. The directorship of Mr. Edward Y. Ku in Symphony is for the purpose of representing Yue Yuen's interest on the board level of Symphony.

Three of the Directors, namely Mr. David N. F. Tsai, Mr. Edward Y. Ku, and Ms. Tsai Pei Chun, Patty, are also directors of Yue Yuen. Yue Yuen is the Company's controlling shareholder and whose principal activities are OEM/ODM footwear manufacturing business. As stated above, Yue Yuen also has equity investments in Symphony. As the Company and Yue Yuen are separate listed entities run by separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from Yue Yuen.

There is potentially little competition between the manufacturing business of the Company and Yue Yuen. On May 23, 2008, the Company entered into the business separation deed with Yue Yuen to put in place certain mechanisms to separate the Company's manufacturing businesses from those of Yue Yuen. During the period from June 6, 2008 (being the date of listing) to September 30, 2008, there were no new brand owners who asked the Company to manufacture for them. The independent non-executive Directors of the Company are satisfied that this is the case.

Save as described above, as at Latest Practicable Date, none of the Directors and their respective associates had any interests in a business which competed or might compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors or experts described in paragraph 10 of Appendix IV to this circular had any direct or indirect interest in any assets which had been, since September 30, 2008, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, the Company was not aware of any member of the Enlarged Group being engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Enlarged Group.

8. WORKING CAPITAL

Taken into account the estimated operating cash flow and the existing facilities available, the Directors confirm that the Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this circular.

9. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that there has not been any material adverse change in the financial or trading position of the Group since September 30, 2008, being the date to which the latest published audited accounts of the Group were made up. In line with the worldwide economic slowdown however it is possible that its financial or trading position may deteriorate in the future, in which case the Company will make further disclosure pursuant to the Listing Rules.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular.

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
CIMB-GK Securities (HK) Limited	a corporation licensed under the SFO to carry on type 1 (dealing in securities), 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either direct or indirect, in any assets which had been since September 30, 2008 (being the date which latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular are or may be material:

(a) A business separation deed dated May 23, 2008 was entered into between the Company and Yue Yuen governing their respective manufacturing operations;

(b) An agreement dated April 29, 2008 was entered into between Yue Yuen, Jollyard Investments Limited, Sports Group Limited, Huang Tsung Jen and the Company for the acquisition by Treasure Chain International Limited of the respective interests held by Manfield Developments Limited, Jollyard Investments Limited, Sports Group Limited and Huang Tsung Jen in Selangor Gold Limited, Wellmax Business Group Limited, A-Grade Holdings Limited, Charming Technology Limited and Dedicated Group Limited (together the "Relevant Companies"), representing the entire issued share capital of the Relevant Companies, in consideration of which the Company agreed to credit as fully paid one nil paid Share issued and allotted to Major Focus Management Limited and to issue and allot, credited as fully paid, of an aggregate of 99,999 new Shares as to 75,492 Shares to Major Focus Management Limited (at the direction of Manfield Developments Limited), as to 13,944 Shares to Jollyard Investments Limited, as to 10,563 Shares to Sports Group Limited;

(c) A deed of indemnity dated May 23, 2008 was executed by Yue Yuen, Jollyard Investments Limited, Sports Group Limited and Huang Tsung Jen in favour of the Company for itself and as trustee for our subsidiaries stated therein containing the indemnities in relation to certain taxation and property matters;

(d) An underwriting agreement dated May 23, 2008 was entered into, among others, the Company, Merrill Lynch Far East Limited, Morgan Stanley Asia Limited, Merrill Lynch International, Yue Yuen, Major Focus Management Limited, Huang Tsung Jen, Sports Group Limited and Jollyard Investments Limited relating to the offer for subscription of the 82,338,000 offer Shares initially being offered for subscription pursuant to the Hong Kong public offering of the Company;

(e) An purchase agreement dated May 30, 2008 was entered into, among others, the Company, Yue Yuen, Major Focus Management Limited, Huang Tsung Jen, Sports Group Limited, Jollyard Investments Limited, Merrill Lynch Far East Limited, Merrill Lynch International, Morgan Stanley Asia Limited, and Morgan Stanley & Co. International plc relating to the offer and sale of the international offer Shares to qualified institutional buyers in the United States;

(f) A price determination agreement dated May 30, 2008 was entered into, among others, Merrill Lynch International and Morgan Stanley Asia Limited (on behalf of the underwriters), and the Company to record the agreed offer price of the global offering;

(g) The DZJ Acquisition Agreement; and

(h) The Yue Yuen Subscription Agreement.

12. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is situated at Suites 3108-11, 31st Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(b) The company secretary of the Company is Mr. Ng Lok Ming, William. Mr. Ng was admitted as a solicitor of the High Court of Hong Kong in 2001.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of the Company at Suites 3108-11, 31st Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including February 27, 2009:

(a) the memorandum of association and bye-laws of the Company;

(b) the Prospectus;

(c) the letter from CIMB-GK Securities (HK) Limited, the text of which is set out on pages 23 to 36 of this circular;

(d) the letter from the independent board committee, the text of which is set out on page 22 of this circular;

(e) the accountant's report of Farsighted International Limited, the text of which is set out in appendix II to this circular;

(f) the accountant's report on the unaudited pro forma financial information of the Enlarged Group from Deloitte Touche Tohmatsu, the text of which is set out in appendix III to this circular;

(g) the written consents referred to in the section "Experts and Consents" in this appendix IV;

(h) the annual report of the Company for the financial year ended September 30, 2008;

(i) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(j) a copy of this circular.

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

NOTICE IS HEREBY GIVEN that a special general meeting ("SGM") of Pou Sheng International (Holdings) Limited (the "Company") will be held at Ballroom B, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on February 27, 2009, Friday at 10:30 a.m. or, if later, immediately following the adjournment or conclusion of the annual general meeting of the Company which is convened to be held at 10:00 a.m. for the same date and place for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT:**

the terms of the subscription agreement (the "Yue Yuen Subscription Agreement") (a copy of which has been produced to this meeting marked "A" and initialled by the chairman of the meeting for identification) dated January 13, 2009 entered into by the Company and Yue Yuen Industrial (Holdings) Limited and the transaction contemplated thereunder be and are hereby ratified and approved, and the Directors be and are hereby authorised to do all things and acts and execute all documents (including under the seal of the Company) which they may consider necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with any or all transactions contemplated under the Yue Yuen Subscription Agreement."

By Order of the board of
Pou Sheng International (Holdings) Limited
David N. F. Tsai
Chairman

Hong Kong, February 4, 2009

Notes:

1. Any member entitled to attend and vote at the meeting by the above notice is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.

2. The form of proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of a form of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such form of proxy on behalf of the corporation without further evidence of the fact.

3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the office of the Company's share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting.

4. Where there are joint holders of any share, any one of such persons may vote at the meeting either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.

5. A form of proxy for use in connection with the meeting is enclosed.

6. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.