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

(Incorporated in Bermuda with limited liability)
(Stock Code: 3813)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended June 30, **2016**	2015	Percentage increase
Revenue *(RMB'000)*	**8,312,889**	7,401,725	**12.3%**
Operating profit *(RMB'000)*	**583,972**	343,830	**69.8%**
Profit attributable to owners of the Company *(RMB'000)*	**384,919**	164,124	**134.5%**
Basic earnings per share *(RMB cents)*	**7.36**	3.07	**139.7%**
Dividend per share – Interim dividend *(HK$)*	**0.02**	–	**N/A**

RESULTS

The board (the "Board") of directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2016 with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2016

		For the six months ended June 30,			
		2016	2015	**2016**	2015
	Notes	***RMB'000***	*RMB'000*	***US$'000***	*US$'000*
		(unaudited)	(unaudited)	**(unaudited)** *(FOR INFORMATION PURPOSE ONLY)*	(unaudited)
Revenue	3	**8,312,889**	7,401,725	**1,268,388**	1,187,201
Cost of sales		**(5,354,052)**	(5,021,197)	**(816,926)**	(805,376)
Gross profit		**2,958,837**	2,380,528	**451,462**	381,825
Other operating income and gains (losses)		**108,775**	47,181	**16,597**	7,568
Selling and distribution expenses		**(2,169,437)**	(1,820,817)	**(331,015)**	(292,050)
Administrative expenses		**(314,203)**	(263,062)	**(47,941)**	(42,194)
Operating profit		**583,972**	343,830	**89,103**	55,149
Finance costs		**(28,904)**	(26,982)	**(4,411)**	(4,328)
Finance income		**6,643**	8,180	**1,014**	1,312
Finance costs – net		**(22,261)**	(18,802)	**(3,397)**	(3,016)
Share of results of an associate		**(7,225)**	81	**(1,102)**	13
Share of results of joint ventures		**892**	(1,841)	**136**	(295)
Other gains (losses)		**14,923**	(52,976)	**2,277**	(8,497)
Profit before taxation		**570,301**	270,292	**87,017**	43,354
Income tax expense	4	**(174,091)**	(91,319)	**(26,563)**	(14,647)
Profit for the period	5	**396,210**	178,973	**60,454**	28,707
Attributable to:					
Owners of the Company		**384,919**	164,124	**58,731**	26,325
Non-controlling interests		**11,291**	14,849	**1,723**	2,382
		396,210	178,973	**60,454**	28,707
Earnings per share	7				
– Basic		**RMB7.36 cents**	RMB3.07 cents	**US1.12 cents**	US0.49 cent
– Diluted		**RMB7.30 cents**	RMB3.06 cents	**US1.11 cents**	US0.49 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2016

	For the six months ended June 30,			
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			(FOR INFORMATION PURPOSE ONLY)	
Profit for the period	**396,210**	178,973	**60,454**	28,707
Other comprehensive income (expense)				
An item that will not be reclassified subsequently to profit or loss				
Exchange difference arising on translation to presentation currency	**–**	–	**(11,283)**	1,481
An item that may be reclassified to profit or loss				
Exchange difference arising on translation of foreign operations	**868**	929	**–**	–
Total comprehensive income for the period	**397,078**	179,902	**49,171**	30,188
Attributable to:				
Owners of the Company	**385,730**	164,985	**47,545**	27,765
Non-controlling interests	**11,348**	14,917	**1,626**	2,423
	397,078	179,902	**49,171**	30,188

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016

	Note	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)	At June 30, 2016 US$'000 (unaudited) (FOR INFORMATION PURPOSE ONLY)	At December 31, 2015 US$'000 (audited) (FOR INFORMATION PURPOSE ONLY)
Non-current assets					
Property, plant and equipment		**731,243**	702,093	**109,905**	106,764
Deposit paid for acquisition of property, plant and equipment		**19,830**	8,957	**2,981**	1,362
Prepaid lease payments		**138,306**	140,327	**20,787**	21,339
Rental deposits and prepayments		**118,956**	113,813	**17,879**	17,307
Intangible assets		**636,020**	657,401	**95,593**	99,968
Goodwill		**536,210**	536,210	**80,592**	82,977
Interest in an associate		**–**	10,411	**–**	1,451
Interests in joint ventures		**57,375**	67,061	**8,623**	10,035
Loans to joint ventures		**47,500**	47,500	**7,139**	7,223
Available-for-sale investment		**–**	–	**–**	–
Deferred tax assets		**–**	428	**–**	65
		2,285,440	2,284,201	**343,499**	348,491
Current assets					
Inventories		**3,841,879**	3,910,362	**577,431**	594,633
Trade and other receivables	8	**2,691,394**	2,057,530	**404,515**	312,880
Taxation recoverable		**4,748**	7,248	**714**	1,102
Derivative financial instrument		**380**	–	**58**	–
Pledged bank deposits		**–**	5,997	**–**	912
Bank balances and cash		**283,544**	284,132	**42,616**	43,207
		6,821,945	6,265,269	**1,025,334**	952,734
Assets classified as held for sale		**13,185**	–	**1,982**	–
		6,835,130	6,265,269	**1,027,316**	952,734

	Note	At June 30, 2016 RMB'000 (unaudited)	At December 31, 2015 RMB'000 (audited)	At June 30, 2016 US$'000 (unaudited)	At December 31, 2015 US$'000 (audited)
				(FOR INFORMATION PURPOSE ONLY)	
Current liabilities					
Trade and other payables	9	**1,870,853**	2,028,839	**281,189**	309,196
Taxation payable		**82,202**	42,582	**12,355**	6,475
Bank overdrafts		**–**	100,230	**–**	15,242
Bank borrowings		**830,656**	361,685	**124,847**	55,000
Consideration payable for acquisition of business		**59,730**	74,301	**8,977**	11,299
		2,843,441	2,607,637	**427,368**	397,212
Net current assets		**3,991,689**	3,657,632	**599,948**	555,522
Total assets less current liabilities		**6,277,129**	5,941,833	**943,447**	904,013
Non-current liability					
Deferred tax liabilities		**177,976**	183,310	**26,750**	27,875
Net assets		**6,099,153**	5,758,523	**916,697**	876,138
Capital and reserves					
Share capital		**46,476**	46,877	**6,849**	6,910
Reserves		**5,995,973**	5,666,290	**901,325**	862,331
Equity attributable to owners of the Company		**6,042,449**	5,713,167	**908,174**	869,241
Non-controlling interests		**56,704**	45,356	**8,523**	6,897
Total equity		**6,099,153**	5,758,523	**916,697**	876,138

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

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

The Company's functional currency is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial years was United States Dollars ("USD"). Starting from January 1, 2016, the Group has changed its presentation currency for the preparation of its condensed consolidated interim financial information from USD to RMB in order to allow for greater transparency of the underlying performance of the Group as the principal operations of the Group are conducted in the People's Republic of China ("PRC") with substantially all of its transactions denominated and settled in RMB. Accordingly, the Directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group. The presentation of USD amounts in these condensed consolidated interim financial information is for information purpose only.

For the purpose of presenting the condensed consolidated interim financial information of the Group in RMB, the assets and liabilities for the condensed consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the condensed consolidated income statement are translated at the average exchange rates for the month of the transactions, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. The share capital, and the share premium and reserves are translated at the exchange rate at the date when the amount was determined (i.e. the rate at the date of transaction for an item measured in terms of the historical cost). The non-controlling interests for the condensed consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2015, as described therein.

Adoption of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") effective in the current period

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The adoption of the amendments to HKFRSs has had no material effect on the amounts reported or disclosures set out in this condensed consolidated interim financial information.

3. REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the distribution and retailing of sportswear and footwear products and leasing of large scale commercial spaces to retailers and distributors for concessionaire sales. Information is reported on a regular basis to the chief operating decision maker, being the Board of Directors of the Company, for the purposes of resources allocation and assessment of segment performance. As there is only one reportable segment, no segment information is presented other than entity-wide disclosures.

Revenue from major business products

The following is an analysis of the Group's revenue from its major business products:

	For the six months ended June 30,			
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			(FOR INFORMATION PURPOSE ONLY)	
Sales of sportswear and footwear products	**8,256,273**	7,346,904	**1,259,750**	1,178,408
Commissions from concessionaire sales	**56,616**	54,821	**8,638**	8,793
	8,312,889	7,401,725	**1,268,388**	1,187,201

4. INCOME TAX EXPENSE

	For the six months ended June 30,			
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			(FOR INFORMATION PURPOSE ONLY)	
Taxation attributable to the Company and its subsidiaries:				
Current tax:				
Hong Kong Profits Tax *(note i)*	**–**	–	**–**	–
PRC Enterprise Income Tax ("EIT") *(note ii)*	**178,806**	90,421	**27,282**	14,503
Overseas income tax *(note iii)*	**215**	1,116	**33**	179
	179,021	91,537	**27,315**	14,682
Deferred tax credit	**(4,930)**	(218)	**(752)**	(35)
	174,091	91,319	**26,563**	14,647

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax had been made as relevant subsidiaries had no assessable profit for both periods.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant enterprise income tax law, implementation rules and notices in the PRC, except as follows:

Pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) and the Bulletin of the State Administration of Taxation [2012] No. 12 issued in 2011 and 2012, during the period from January 1, 2011 to December 31, 2020, any enterprise that is located in the Western Regions and engaged in the industrial activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the revenue in the current period accounts for more than 70% of its total revenue shall pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company are located in the specified provinces of Western Regions and engaged in the industrial activities under the New Catalogue. The Directors of the Company consider that the relevant subsidiaries are eligible for the preferential tax rate of 15% in both periods.

(iii) Overseas

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

5. PROFIT FOR THE PERIOD

	For the six months ended June 30,			
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			(FOR INFORMATION PURPOSE ONLY)	
Profit for the period has been arrived at after charging (crediting):				
Total staff costs (included in selling and distribution expenses and administrative expenses)	**812,567**	671,880	**123,982**	107,770
Operating lease rentals and concessionaire fees in respect of shopping malls/retail outlets (included in selling and distribution expenses)	**1,062,985**	890,588	**162,191**	142,846
Depreciation of property, plant and equipment	**95,399**	90,313	**14,556**	14,486
Reversal of allowance for inventories, net	**(26,078)**	(48,147)	**(3,979)**	(7,723)
Release of prepaid lease payments	**2,022**	2,022	**308**	324
Amortisation of intangible assets (included in selling and distribution expenses)	**21,516**	24,570	**3,283**	3,941
Net exchange gain (included in other operating income and gains (losses))	**(5,771)**	(2,575)	**(880)**	(413)
Subsidies, rebates and other income from suppliers (included in other operating income and gains (losses))	**(59,934)**	(46,122)	**(9,145)**	(7,398)
Impairment loss recognised on trade receivables (included in other operating income and gains (losses))	**6,321**	25,143	**964**	4,033
(Reversal of impairment loss) impairment loss recognised on other receivables (included in other operating income and gains (losses))	**(993)**	9,911	**(152)**	1,590
Impairment losses on loans to joint ventures (included in other gains (losses))	**–**	40,950	**–**	6,568
Impairment losses on interest in a joint venture	**579**	–	**88**	–
Fair value gain on consideration payable for acquisition of business (included in other gains (losses))	**(15,122)**	(3,974)	**(2,307)**	(637)
Impairment loss on consideration receivable for disposal of properties (included in other gains (losses))	**–**	16,000	**–**	2,566
Fair value gain on derivative financial instrument (included in other gains (losses))	**(380)**	–	**(58)**	–

6. DIVIDEND

No dividend were paid or declared during the interim period.

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of HK$0.02 per share (six months ended June 30, 2015: nil) will be paid to the shareholders of the Company (the "Shareholders") whose names appear in the register of members of the Company (the "Register of Members") on September 20, 2016.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended June 30,			
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
			(FOR INFORMATION PURPOSE ONLY)	
Earnings:				
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**384,919**	164,124	**58,731**	26,325

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,233,364,225**	5,350,676,571
Effect of dilutive potential ordinary shares:		
– Share options	**11,923,112**	–
– Unvested awarded shares	**29,823,797**	15,579,492
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,275,111,134**	5,366,256,063

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company.

The computation of diluted earnings per share for the six months ended June 30, 2015 did not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during that period.

8. TRADE AND OTHER RECEIVABLES

	At June 30, 2016	At December 31, 2015	**At June 30, 2016**	At December 31, 2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
			(FOR INFORMATION PURPOSE ONLY)	
Trade receivables	**1,691,711**	1,161,869	**254,262**	176,681
Deposits, prepayments and other receivables	**999,683**	895,661	**150,253**	136,199
	2,691,394	2,057,530	**404,515**	312,880

The Group generally allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers. The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	At June 30, 2016	At December 31, 2015	**At June 30, 2016**	At December 31, 2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
			(FOR INFORMATION PURPOSE ONLY)	
0 to 30 days	**1,259,826**	881,879	**189,351**	134,104
31 to 90 days	**385,230**	211,679	**57,899**	32,189
Over 90 days	**46,655**	68,311	**7,012**	10,388
	1,691,711	1,161,869	**254,262**	176,681

9. TRADE AND OTHER PAYABLES

	At June 30, 2016	At December 31, 2015	**At June 30, 2016**	At December 31, 2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
			(FOR INFORMATION PURPOSE ONLY)	
Trade payables	**429,499**	637,464	**64,554**	96,936
Bills payables	**102,539**	162,428	**15,411**	24,700
Receipt in advance from customers	**387,439**	351,546	**58,232**	53,458
Amounts due to related and connected parties	**294,888**	297,664	**44,321**	45,264
Accruals and other payables	**656,488**	579,737	**98,671**	88,838
	1,870,853	2,028,839	**281,189**	309,196

The aged analysis of the Group's trade and bills payables, presented based on the invoice date at the end of the reporting period, is as follows:

	At June 30, 2016	At December 31, 2015	**At June 30, 2016**	At December 31, 2015
	RMB'000	*RMB'000*	***US$'000***	*US$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
			(FOR INFORMATION PURPOSE ONLY)	
0 to 30 days	**484,973**	786,102	**72,891**	119,539
31 to 90 days	**38,640**	8,412	**5,808**	1,279
Over 90 days	**8,425**	5,378	**1,266**	818
	532,038	799,892	**79,965**	121,636

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK$0.02 per share for the six months ended June 30, 2016 to the Shareholders whose names appear on the Register of Members on Tuesday, September 20, 2016. The interim dividend will be paid on Monday, October 3, 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, September 15, 2016 to Tuesday, September 20, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration of no later than 4:30 p.m. on Wednesday, September 14, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is dedicated to growing its position as the leader in the distribution of international brand functional footwear and apparel in the PRC.

The Group aims to expand on its reputation as the "go-to" partner for international athletic brands in the PRC, while also developing the versatile omni-channel to offer its customers the optimal shopping experience online and in store. Presently, the Group is a leading distributor of footwear and apparel for international brands that already have strong market positions in the first and second tier cities in the PRC. It is also continuing to develop a multi-brand strategy, leveraging off its success with existing customers to form new partnerships with other new brands that are looking to access the PRC market place.

As at June 30, 2016, the Group had 5,131 directly operated retail outlets and 3,091 sub-distributor operated retail outlets. Within the network of the regional joint ventures, there were 229 directly operated retail outlets and 154 retail sub-distributors.

The Group also has a business unit involved with the brand licensee business. The brand licensee agreements entered into typically grant the Group exclusive rights to design, develop, manufacture, market and distribute; as well as the flexibility to set retail prices for the brand products at the designated locations for specified periods of time. The Group is the brand licensee for Hush Puppies in Taiwan and for PONY in the PRC and Taiwan.

FINANCIAL REVIEW

For the first six months, the Group recorded revenue of RMB8,312.9 million, representing an increase of 12.3% compared with the corresponding period last year. Gross profit was RMB2,958.8 million, an increase of 24.3% against the same period last year. Finally, the profit attributable to owners of the Company in the current period was RMB384.9 million, a 134.5% increase compared with the first half of fiscal year 2015.

REVENUE

Total revenue for the Group increased by 12.3% to RMB8,312.9 million for the six months ended June 30, 2016, as compared with RMB7,401.7 million reported in the same period last year. The increase was contributed by same store sales growth, as well as revenue from newly opened stores.

GROSS PROFIT

Gross profit for the Group amounted to RMB2,958.8 million and the gross profit margin was 35.6%. Both gross profit amount and gross profit margin were higher than the comparable figures achieved in the same period last year. The improved gross profit was due to reduced discounting, increased sales growth and better inventory management.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the period were in aggregate RMB2,483.6 million, representing RMB399.8 million, or 19.2% increase, as compared with the last corresponding period. In terms of percentage, the ratio of expenses to revenue accounted for 29.9%, a bit over the comparative period in 2015 (28.2%) mainly due to increase in staff costs, rental expenses and concession fees.

OPERATING PROFIT

The Group operating profit margin for the period was 7.0%, and operating profit was RMB584.0 million, a substantial improvement compared with the operating profit of RMB343.8 million (4.6%) million in the same period last year.

OTHER GAINS (LOSSES) ARISING OTHER THAN OPERATING ACTIVITIES

The Group incurred various gains (losses) from a variety of situations which amounted to net gains of RMB14.9 million in the first six months mainly attributable to the fair value gain on consideration payable for acquisition of business.

PROFIT FOR THE PERIOD

Due to the aforementioned reasons, profit for the Group for the six months ended June 30, 2016 was RMB396.2 million, a substantial increase over the RMB179.0 million recorded in the same period last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover period for the period was 132 days (2015: 142 days). The reduction in inventory turnover period was due to the change of business strategy to enable lower inventory purchases and implementation of approaches to maintain lower average inventory levels. The Group continues to explore different strategies for managing inventory so as to optimize working capital levels. The average trade receivables turnover period was 31 days (2015: 27 days), which remained consistent with the credit terms of 30 to 60 days that the Group gives to its department store counters and retail distributors. The average trade and bills payables turnover period was 23 days (2015: 24 days).

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2016, the Group's cash and cash equivalents were RMB283.5 million (December 31, 2015: RMB284.1 million) and working capital (current assets minus current liabilities) was RMB3,991.7 million (December 31, 2015: RMB3,657.6 million). Total bank borrowings of RMB830.7 million (December 31, 2015: RMB461.9 million) and are repayable within one year. The Group's current ratio was 240% (December 31, 2015: 240%). The gearing ratio (total interest bearing loans to total equity) was 18% (December 31, 2015: 13%).

During the period, net cash used in operating activities was RMB159.8 million. The Group believes its liquidity requirements will be satisfied with a combination of capital generated from operating activities and bank borrowings in the future. Net cash used in investing activities was RMB125.8 million, of which RMB121.9 million was used to purchase of property, plant and equipment. Net cash from financing activities was RMB378.3 million. During the period, the Group raised and repaid bank borrowings of RMB1,673.9 million and RMB1,206.2 million respectively.

CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of payments and deposits for purchase of furniture, fixtures and equipment and leasehold improvement. During the period under review, the total capital expenditure was RMB141.7 million (2015: RMB106 million). As at June 30, 2016, the Group had no material capital commitments and contingent liabilities.

FOREIGN EXCHANGE

The Group conducted its business primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. As at June 30, 2016, the Group had no significant hedge for the foreign exchange exposure. However, the exchange rate of RMB against foreign currencies can be volatile, and the Group may enter into forward contracts, currency swaps or options to hedge against the currency risk arising from foreign currency transactions when necessary.

BUSINESS MODEL

The Group continues to pursue its goal of becoming a leading retailer in the sportswear industry and to be the best partner of international athletic brands in the PRC. The Group is a leading distributor of international brand athletic apparel and footwear in the top tier cities, reaching out to consumers either by selling to them through directly owned stores, or by wholesaling products to sub-franchisees through their stores that sell athletic apparel and footwear to consumers.

We work closely with these brands to

1) improve their understanding of the changing tastes of consumers in the PRC, which the brands then use to develop more effective marketing campaigns;

2) help them make appropriate estimates of the sell-through capacity for the market and to allow for better management of inventories.

The size of our operations makes us one of the key national retailers for a number of international brands, such as Nike and Adidas. To maintain this advantage, we will continue to closely observe consumer behavior in the PRC, making sure we understand their evolving levels of sophistication and desires.

As well as constantly assessing our portfolio to ensure we have the best mix of brands, we have also

1) expanded our capabilities to distribute outdoor performance branded apparel and footwear;

2) been preparing to launch a new multi-brand store format for selected stores to capture consumer spending in a more effective manner; and

3) established e-commerce platforms to facilitate offline and online connections with consumers.

Our store formats include mono-brand stores, multi-brand stores, sports cities, outlets, and online stores.

In addition, our brand licensee business (other than sports brands), will continue to pursue opportunities to participate in the outdoor leisure brand business, aiming to benefit from market trends, enrich our business portfolio and develop another avenue for sales growth.

We continue to explore collaboration opportunities with foreign brands that

a) allow for development of brand strength;

b) offer a broad product range; and

c) provide sufficient flexibility to create suitably designed products that satisfy the consumers' specific needs in the PRC market.

PROSPECTS AND FUTURE DEVELOPMENTS

In the first half of 2016, overall retail consumption in the PRC slowed, with weak growth in retail sales and GDP growth dropping to 6.7%, along with the continued depreciation of RMB and unstable weather conditions. These factors resulted in poor physical retail sales performance. However, the health and leisure industry has become a driver for stimulating domestic consumption and new economic growth momentum, thanks to strong, supportive government policies, and increased public awareness of healthy lifestyle. The result is increased product demand for sportswear and sustained growth in the total size of sportswear consumption.

With global large sports events such as the European Cup and the Olympics taking place in 2016, an increasing number of marathon activities in the PRC and the growing consumer awareness of the importance of personal fitness, consumers in the PRC will be more motivated to purchase functional and leisure concept sportswear. These sports events are expected to bring about a new cycle of sales growth for the sportswear industry.

The State Council has issued its 13th Five Year Plan, the strategic blueprint outlining its vision for the nation's fitness and the development of the sports industry. The Council will provide unwavering support to the sports and health industry and expects that by 2020, the industry will have a value in excess of RMB1.5 trillion (equivalent to US$230 billion). Major international athletic and performance brands continue to be active in developing the opportunities in the PRC. These performance brands have also dedicated resources and staff to study and understand the nature of the PRC market.

The Group continues to grow in the first half of 2016, despite weaker summer consumption and unstable weather conditions. Looking to the second half of the year, the Group will endeavor to strengthen its cooperation with existing brands, enhance the consumer experience, provide omni-channel services, and introduce new distribution brands such as GEOX, Rockport, and children's wear. The Group has been investing in the e-commerce channel as one of its future core development strategies, especially on mobile devices, to provide a complete service platform to meet the consumers' diverse needs of sports, leisure, and health. In addition, the Group continues to optimize logistics network and IT management, promoting the process, operational and retail standardization system. These initiatives are expected to improve the Group's overall operational efficiency and profitability, creating satisfaction and maximizing benefits for our customers, partners, employees and shareholders.

HUMAN RESOURCES

As at June 30, 2016, the Group had a total of approximately 26,900 employees. The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers award shares and/or share options to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, the Group provides other fringe benefits, such as social insurance, mandatory provident funds, medical coverage and training programs to employees based on their respective personal career development.

SHARE OPTION SCHEME

The Company adopted a share option scheme which has a term of 10 years commencing on May 14, 2008. In order to provide greater flexibility to the Board in the treatment of outstanding share options held by the grantees in the event that they cease to become a participant, certain terms of the share option scheme were amended on March 7, 2012 (the "Share Option Scheme").

As at the date of this announcement, the total number of shares available for issue under the Share Option Scheme is 294,531,000 shares, representing approximately 5.52% of the total number of issued shares of the Company. As at June 30, 2016, an aggregate of 48,286,000 shares are issuable for share options granted under the Share Option Scheme, representing approximately 0.91% of the total number of issued shares of the Company.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme") which shall be valid and effective for a term of 10 years commencing on May 9, 2014. Any proposed award must be recommended by the remuneration committee of the Company and approved by the Board. The total number of shares to be awarded under the Share Award Scheme shall not exceed 2% of the issued share capital of the Company as at the date of grant. The maximum number of shares which may be awarded to a selected participant (including vested and non-vested shares) shall not exceed 1% of the issued share capital of the Company from time to time.

Eligible participant(s) selected by the Board for participation in the Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

During the six months ended June 30, 2016, 6,530,000 share awards were granted and 2,675,000 share awards were lapsed under the Share Award Scheme. As at June 30, 2016, an aggregate of 31,593,000 share awards which are subject to certain vesting conditions, remain unvested.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2016, the Company repurchased 53,186,000 (six months ended June 30, 2015: Nil) its own shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including direct cost)
		HK$	*HK$*	*HK$*
January 2016	53,186,000	1.50	1.37	76,312,700

The above repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account.

The repurchase of the Company's shares during the six months ended June 30, 2016 was effected by the Board, pursuant to the mandate from Shareholders, with a view to benefiting Shareholders as a whole by enhancing the net asset value and earnings per share of the Company.

Save as disclosed above, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares during the six months ended June 30, 2016.

REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") has reviewed the interim report and the accounting principles and practices adopted by the Group and in the course have discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated interim financial information for the six months ended June 30, 2016 and the interim report.

Deloitte Touche Tohmatsu, certified public accountants, the independent auditor of the Company has reviewed the interim financial information for the six months ended June 30, 2016 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

In view of the requirements in the Listing Rules in relation to the new code provisions on risk management which took effect in 2016, the senior management has conducted reviews on the maintenance of all material controls with internal audit department of the Company to ensure compliance with relevant legislations and regulations. The Board has delegated the Audit Committee with authority and responsibility to oversee the overall management of risks and report the results to the Board. We are in the course of enhancing the risk management system to strengthen our identification, assessment and controls over the risks across the Group's operations.

During the six months ended June 30, 2016, the Company has applied the principles of and has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Following specific enquiry by the Company to all Directors, each of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended June 30, 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.pousheng.com) and the designated issuer website of Stock Exchange (www.hkexnews.hk). The interim report 2016 of the Company will be dispatched to the Shareholders and available on the above websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff of the Group for their commitment and dedicated services throughout the period.

By Order of the Board
Wu, Pan-Tsu
Chairman

Hong Kong, August 12, 2016

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Mr. Wu, Pan-Tsu (Chairman) (after conclusion of a Board meeting held on August 12, 2016) and Mr. Kwan, Heh-Der (Chief Executive Officer)

Non-executive Directors:
Mr. Tsai David, Nai Fung (Chairman) (before conclusion of a Board meeting held on August 12, 2016), Ms. Tsai Patty, Pei Chun and Mr. Li I-nan

Independent Non-executive Directors:
Mr. Chen Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue

Website: www.pousheng.com