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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶 勝 國 際 （ 控 股 ） 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code：3813)

INTERIM REPORT 2011

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THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended March 31, 2011	2010	Percentage increase
Revenue *(US$'000)*	**771,228**	654,182	**17.9%**
Operating profit *(US$'000)*	**42,183**	16,097	**162.1%**
Profit attributable to owners of the Company *(US$'000)*	**34,516**	8,828	**291.0%**
Basic earnings per share *(US cent)*	**0.80**	0.21	**281.0%**

INTERIM RESULTS

The directors (the "Directors") of Pou Sheng International (Holdings) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended March 31, 2011 with comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended March 31, 2011

	NOTES	For the six months ended March 31, 2011 US$'000 (unaudited)	2010 US$'000 (unaudited)
Revenue	3	**771,228**	654,182
Cost of sales		**(534,601)**	(453,786)
Gross profit		**236,627**	200,396
Other income		**17,194**	6,143
Selling and distribution expenses		**(179,600)**	(151,727)
Administrative expenses		**(32,038)**	(38,715)
Operating profit		**42,183**	16,097
Interest on bank borrowings wholly repayable within five years		**(5,133)**	(6,348)
Finance income		**3,248**	1,482
Finance cost – net		**(1,885)**	(4,866)
Share of results of associates		**(21)**	629
Share of results of jointly controlled entities		**(4,533)**	4,122
Fair value changes on derivative financial instruments		**(4,720)**	217
Gain on deemed disposal of a jointly controlled entity	14(i)(d)	**18,767**	–
Impairment losses of interests in an associate and jointly controlled entities		**(2,000)**	(2,480)
Impairment loss of an available-for-sale investment		**(100)**	–
Profit before taxation		**47,691**	13,719
Income tax expense	4	**(12,175)**	(5,219)
Profit for the period	5	**35,516**	8,500
Attributable to:			
Owners of the Company		**34,516**	8,828
Non-controlling interests		**1,000**	(328)
		35,516	8,500
Earnings per share	7		
– Basic		**US0.80 cent**	US0.21 cent
– Diluted		**US0.80 cent**	US0.21 cent

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended March 31, 2011

	For the six months ended March 31,	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit for the period	**35,516**	8,500
Exchange difference arising on translation	**14,839**	341
Total comprehensive income for the period	**50,355**	8,841
Attributable to:		
Owners of the Company	**48,967**	9,102
Non-controlling interests	**1,388**	(261)
	50,355	8,841

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2011

	NOTES	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**116,090**	143,680
Deposit paid for acquisition of property, plant and equipment	8	**750**	465
Prepaid lease payments		**24,055**	27,080
Rental deposits and prepayments		**27,927**	22,375
Intangible assets		**112,012**	70,612
Goodwill		**42,226**	27,622
Interests in associates		**7,432**	7,809
Loans to associates		**7,808**	7,659
Interests in jointly controlled entities		**41,548**	55,014
Loans to jointly controlled entities		**47,304**	58,042
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		**-**	19,223
Long-term loan receivables		**11,180**	17,642
Available-for-sale investments		**-**	100
Derivative financial instruments	9	**33,244**	46,024
Pledged bank deposits		**12,201**	–
Deferred tax assets		**741**	2,293
		484,518	505,640
Current assets			
Inventories		**326,055**	262,049
Trade and other receivables	10	**276,603**	249,164
Prepaid lease payments		**611**	654
Taxation recoverable		**457**	1,978
Available-for-sale investments		**3,050**	8,227
Amounts due from related parties		**3,603**	14,307
Bank balances and cash		**147,329**	178,056
		757,708	714,435
Assets classified as held for sale	11	**35,978**	–
		793,686	714,435

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At March 31, 2011

	NOTES	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
Current liabilities			
Trade and other payables	12	**201,162**	167,917
Consideration payable for acquisition of subsidiaries	14	**3,139**	–
Taxation payable		**6,172**	7,150
Amounts due to related parties		**1,024**	1,024
Bank borrowings		**145,739**	184,353
		357,236	360,444
Net current assets		**436,450**	353,991
Total assets less current liabilities		**920,968**	859,631
Non-current liabilities			
Bank borrowings		**26,893**	33,611
Consideration payable for acquisition of subsidiaries	14	**3,139**	–
Deferred tax liabilities		**31,466**	21,695
		61,498	55,306
Net assets		**859,470**	804,325
Capital and reserves			
Share capital	13	**5,504**	5,504
Reserves		**838,785**	784,813
Equity attributable to owners of the Company		**844,289**	790,317
Non-controlling interests		**15,181**	14,008
Total equity		**859,470**	804,325

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended March 31, 2011

	Equity attributable to owners of the Company											
	Share capital US$'000	Share premium US$'000	Special reserve US$'000 (note (i))	Other reserve US$'000 (note (ii))	Revaluation reserve US$'000 (note (iii))	Share-based compensation reserve US$'000	Non-distributable reserve US$'000 (note (iv))	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At October 1, 2009 (audited)	5,504	692,681	96,269	(211,176)	8,108	-	15,275	34,141	113,529	754,331	16,245	770,576
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	274	-	274	67	341
Profit (loss) for the period	-	-	-	-	-	-	-	-	8,828	8,828	(328)	8,500
Total comprehensive income and expenses for the period	-	-	-	-	-	-	-	274	8,828	9,102	(261)	8,841
Recognition of equity-settled share-based payments	-	-	-	-	-	413	-	-	-	413	-	413
Realised on deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(123)	(123)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(407)	(407)
Transfer	-	-	-	-	-	-	1,582	-	(1,582)	-	-	-
At March 31, 2010 (unaudited)	5,504	692,681	96,269	(211,176)	8,108	413	16,857	34,415	120,775	763,846	15,454	779,300
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	12,847	-	12,847	577	13,424
Profit (loss) for the period	-	-	-	-	-	-	-	-	12,459	12,459	(792)	11,667
Total comprehensive income and expense for the period	-	-	-	-	-	-	-	12,847	12,459	25,306	(215)	25,091
Recognition of equity-settled share-based payments	-	-	-	-	-	1,165	-	-	-	1,165	-	1,165
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	(202)	202	-	(2)	(2)
Realised on disposal of subsidiaries	-	-	-	-	-	-	-	(770)	770	-	(1,222)	(1,222)
Realised on disposal of jointly controlled entities	-	-	-	-	-	-	-	(2,120)	2,120	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(7)	(7)
Transfer	-	-	-	-	-	-	2,512	-	(2,512)	-	-	-
At September 30, 2010 (audited)	5,504	692,681	96,269	(211,176)	8,108	1,578	19,369	44,170	133,814	790,317	14,008	804,325
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	14,451	-	14,451	388	14,839
Profit for the period	-	-	-	-	-	-	-	-	34,516	34,516	1,000	35,516
Total comprehensive income for the period	-	-	-	-	-	-	-	14,451	34,516	48,967	1,388	50,355
Recognition of share-settled considerations for acquisition of subsidiaries	-	-	-	3,785	-	-	-	-	-	3,785	-	3,785
Recognition of equity-settled share-based payments	-	-	-	-	-	1,220	-	-	-	1,220	-	1,220
Realised on deemed disposal of a jointly controlled entity	-	-	-	-	-	-	-	(1,126)	1,126	-	-	-
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(215)	(215)
Transfer	-	-	-	-	-	-	2,757	-	(2,757)	-	-	-
At March 31, 2011 (unaudited)	5,504	692,681	96,269	(207,391)	8,108	2,798	22,126	57,495	166,699	844,289	15,181	859,470

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended March 31, 2011

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 reorganisation in 2008.

(ii) The other reserve represents (i) 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 non-controlling interests and (ii) the fair value of the share-settled consideration at the date of acquisition of subsidiaries that will be settled by the Company by the issue of a fixed number of its ordinary shares in certain future dates (see Note 14).

(iii) The revaluation reserve represents the fair value adjustments on intangible assets attributable to the equity interest previously held by the Group at the date of acquisition of subsidiaries. The amount recognised in the revaluation reserve will be transferred to accumulated profits upon disposals of these subsidiaries or the relevant assets, whichever is earlier.

(iv) According to the relevant laws in the People's Republic of China (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.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended March 31, 2011

	NOTE	For the six months ended March 31, 2011 US$'000 (unaudited)	2010 US$'000 (unaudited)
Net cash from operating activities		**47,363**	28,296
Net cash used in investing activities			
Purchase of property, plant and equipment		**(15,051)**	(9,548)
Increase in pledged bank deposits		**(12,201)**	–
Advances to jointly controlled entities		**(904)**	(11,993)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	14	**1,531**	–
Investment in available-for-sale investments		**5,177**	–
Repayments of loan receivables		**6,680**	–
Investment in a jointly controlled entity		**-**	(6,588)
Repayments of advance to a non-controlling interest of a subsidiary		**-**	732
Other investing cash flows		**4,758**	2,705
		(10,010)	(24,692)
Net cash used in financing activities			
Repayment of bank borrowings		**(159,398)**	(225,037)
Bank borrowings raised		**94,418**	230,472
Other financing cash flows		**(5,348)**	(6,755)
		(70,328)	(1,320)
Net (decrease) increase in cash and cash equivalents		**(32,975)**	2,284
Effect of foreign exchange rate changes		**2,248**	167
Cash and cash equivalents brought forward		**178,056**	179,830
Cash and cash equivalents carried forward, represented by bank balances and cash		**147,329**	182,281

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended September 30, 2010. In addition, the Group adopted the following new accounting policies for business combinations achieved in stage (where the Group previously had an equity interest in the acquiree) and contingent consideration in a business combination.

Business Combinations

Business combinations on or after October 1, 2009

Contingent consideration

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Business combination achieved in stages

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date the Group obtains control). Any resulting gain or loss is recognised in profit or loss. Any amount that was previously recognised in other comprehensive income is recognised on the same basis as if the interest had been disposed of on the acquisition date.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and revised standards, amendments and interpretations effective in the current period

In the current interim period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on October 1, 2010. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008)[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

[1] Effective for annual periods beginning on or after January 1, 2011
[2] Effective for annual periods beginning on or after July 1, 2011
[3] Effective for annual periods beginning on or after January 1, 2012
[4] Effective for annual periods beginning on or after January 1, 2013

The directors of the Company anticipate that the application of the new and revised HKFRSs issued but not yet effective will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. REVENUE AND SEGMENTAL INFORMATION

The Group's operating segments are based on information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purpose of resource allocation and performance assessment. In previous years, leasing of large scale commercial spaces to retailers and distributors was reported to the CODM as a stand-alone operating segment. Following a change in the Group's operating and reporting structure, starting from the current period, such business activities are combined with the Group's retail operation before being reported to the CODM. Accordingly, the CODM now reviews the Group's internal reporting based on three operating segments set out below for which discrete financial information is available.

(i) retailing of sportswear ("Retail Business");

(ii) distribution of licensed products ("Brand Licensee Business"); and

(iii) manufacturing and sales of OEM footwear ("Manufacturing Business").

The following is an analysis of the Group's revenue and results by operating segment for the period under review. The corresponding segment information for the six months ended March 31, 2010 have been restated to reflect the above changes.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue and results

For the six months ended March 31, 2011

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	666,407	28,670	76,151	771,228	-	771,228
Inter-segment sales	-	7,633	-	7,633	(7,633)	-
Total	666,407	36,303	76,151	778,861	(7,633)	771,228
RESULTS						
Segment results	38,949	1,296	8,065	48,310	-	48,310
Reconciling items:						
Central administrative expenses						(6,127)
Finance costs — net						(1,885)
Share of results of associates						(21)
Share of results of jointly controlled entities						(4,533)
Fair value changes on derivative financial instruments						(4,720)
Gain on deemed disposal of a jointly controlled entity						18,767
Impairment losses of interests in an associate and jointly controlled entities						(2,000)
Impairment loss of an available-for-sale investment						(100)
Profit before taxation						47,691

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended March 31, 2010 (restated)

	Retail Business US$'000	Brand Licensee Business US$'000	Manufacturing Business US$'000	Segment Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	571,030	23,796	59,356	654,182	–	654,182
Inter-segment sales	–	3,150	–	3,150	(3,150)	–
Total	571,030	26,946	59,356	657,332	(3,150)	654,182
RESULTS						
Segment results	12,279	2,590	6,324	21,193	–	21,193
Reconciling items:						
Central administrative expenses						(5,096)
Finance costs – net						(4,866)
Share of results of associates						629
Share of results of jointly controlled entities						4,122
Fair value changes on derivative financial instruments						217
Impairment losses of interests in jointly controlled entities						(2,480)
Profit before taxation						13,719

Segment results represent profit earned by each segment without absorption of reconciling items, details of which are set out above. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. **REVENUE AND SEGMENTAL INFORMATION** (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

	At March 31, 2011 US$'000	At September 30, 2010 US$'000 (restated)
Segment assets		
Retail business	**824,108**	684,215
Brand licensee business	**29,004**	22,001
Manufacturing business	**101,523**	94,553
Total segment assets	**954,635**	800,769
Interests in associates	**7,432**	7,809
Loans to associates	**7,808**	7,659
Interests in jointly controlled entities	**41,548**	55,014
Loans to jointly controlled entities	**47,304**	58,042
Loan receivables	**16,145**	37,028
Derivative financial instruments	**33,244**	46,024
Bank balances and cash	**147,329**	178,056
Other unallocated assets	**22,759**	29,674
Consolidated assets	**1,278,204**	1,220,075
Segment liabilities		
Retail business	**169,761**	136,646
Brand licensee business	**16,821**	10,622
Manufacturing business	**19,096**	20,581
Total segment liabilities	**205,678**	167,849
Bank borrowings	**172,632**	217,964
Other unallocated liabilities	**40,424**	29,937
Consolidated liabilities	**418,734**	415,750

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interest in associates and jointly controlled entities, loans to associates and jointly controlled entities, loan receivables, derivative financial instruments, available-for-sale investments, certain property, plant and equipment, deferred tax assets, taxation recoverable, amounts due from related parties, certain other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than accruals and other payables of the head office, taxation payable, amounts due to related parties, bank borrowings and deferred tax liabilities.

4. INCOME TAX EXPENSE

	For the six months ended March 31,	
	2011	2010
	US$'000	US$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax (note i)	**395**	297
PRC Enterprise Income Tax ("EIT") (note ii)	**9,478**	4,748
Overseas income tax (note iii)	**857**	745
Underprovision in prior year:		
PRC EIT	**639**	–
	11,369	5,790
Deferred tax charge (credit)	**806**	(571)
	12,175	5,219

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. **INCOME TAX EXPENSE** (Continued)

notes:

(i) **Hong Kong**

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the period.

(ii) **PRC**

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

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expired or will expire between 2009 and 2012.

(b) Pursuant to《國家税務總局關於落實西部大開發有關税收政策具體實施意見的通知》, the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeds 70% of its total revenue in a fiscal year.

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 concessions from EIT as set out in (a) above continue to be applicable until the expirations of the relevant concessions. Subject to the fulfillments of the conditions set out above, the preferential treatment set out in (b) above continued on the implementation of the Law of the PRC on EIT.

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holiday are allowed to be carried forward to future years until their expiry. However, if an entity did not commence its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries were loss-making up to 2008, their tax holidays are therefore deemed to commence in 2008.

(iii) **Overseas**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. PROFIT FOR THE PERIOD

	For the six months ended March 31,	
	2011	2010
	US$'000	US$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**13,758**	15,629
Release of prepaid lease payment	**329**	476
Amortisation of intangible assets	**2,837**	2,310
Exchange (gain) loss	**(882)**	78
(Reversal of) impairment loss recognised on trade receivables	**(364)**	22
(Reversal of) allowance for inventories	**(1,250)**	3,032
Subsidies, rebates and other income from suppliers (included in other income)	**(10,442)**	(3,245)
Impairment losses of interests in an associate and jointly controlled entities (other than included in assets classified as held for sale) (note)	**2,000**	800

note: During the six months ended March 31, 2011, the impairment losses of approximately US$2,000,000 (six months ended March 31, 2010: US$800,000) were made in respect of the Group's interest in an associate and certain jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future. The recoverable amounts of the associate and jointly controlled entities were estimated by their fair values less cost to sell.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. DIVIDEND

No dividends were paid or declared during the reported period. The directors do not propose the payment of an interim dividend (2010: nil).

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 March 31,	
	2011	2010
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings:		
Profits for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**34,516**	8,828

	For the six months ended March 31,	
	2011	2010
Number of shares:		
Number of ordinary shares in issue for the purpose of basic earnings per share	**4,290,495,163**	4,290,495,163
Effect of dilutive potential ordinary shares: Share options	**137,462**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,290,632,625**	4,290,495,163

The computation of diluted earnings per share for the six months ended March 31, 2010 does not assume the exercise of the Group's share options because the exercise price of those options was higher than the average market price of the shares for the relevant period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately US$18,902,000 (six months ended March 31, 2010: US$13,869,000), including US$3,641,000 (six months ended March 31, 2010: nil) which was arising from the acquisition of Zhejiang Yichuan Sports Goods Chain Company Limited ("Yichuan") (see Note 14).

9. DERIVATIVE FINANCIAL INSTRUMENTS

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
Derivative financial assets, analysed for financial reporting purposes as non-current assets, comprise:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	**33,244**	46,024

In October 2007, the Group entered into call option agreements with the other shareholders (the "Relevant Partners") of certain subsidiaries, associates and jointly controlled entities (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 (each a "Call Option" and collectively the "Call Options").

The Call Options are exercisable within five years commencing from December 6, 2008, the expiry of the first six months after dealing in the shares of the Company on the Stock Exchange commenced and upon the mutual agreements between the Company and the Relevant Partners on certain conditions stipulated in the respective agreements in respect of the performance of the Relevant Companies during the pre-determined evaluation periods. Such conditions were not yet fulfilled at the end of the reporting period except for the Call Option granted by the Relevant Partners of Yichuan.

Pursuant to the Call Options agreements 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. Furthermore, the consideration for acquiring the Relevant Equity Interests 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. Upon exercise of the Call Options, the consideration is to be settled after deducting the Option Premium paid.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The value of each of the Call Options at March 31, 2011 was valued by Savills Valuation and Professional Services Limited, an independent valuer, using the Binomial Option Pricing 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 March 31, 2011 (unaudited)	At September 30, 2010 (audited)
Derivative financial assets – Call Options:		
Expected price earning ratio – the Company	**19**	24
Expected volatility – the Company	**55%**	53%
Expected volatility – the Relevant Companies	**35%**	34%
Risk free rate	**3.3%**	2.36%
Exercisable period	**2.68 years**	3.18 years
Expected dividend yield	**Nil**	Nil

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

In October 2010, the Group exercised a Call Option to acquire the Relevant Equity Interests in Yichuan. As at the completion date of the transaction, the carrying amount of the relevant Call Option of approximately US$8,060,000 was derecognised and included as cost of investment in Yichuan, as set out in Note 14.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables of US$136,807,000 (September 30, 2010: US$122,780,000) and an aged analysis based on the invoice date is as follows:

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
0 to 30 days	**127,607**	118,858
31 to 90 days	**7,213**	2,902
Over 90 days	**1,987**	1,020
	136,807	122,780

11. ASSETS CLASSIFIED AS HELD FOR SALE

	At March 31, 2011 US$'000 (unaudited)
Amount comprises:	
Property, plant and equipment	**32,723**
Prepaid lease payments	**3,255**
	35,978

On November 10, 2010, the Group entered into an agreement with a third party, pursuant to which the Group agreed to dispose of and the third party agreed to acquire a shopping mall building and the associated land use rights from the Group at an aggregate consideration of RMB270,000,000 (equivalent to US$41,178,000).

As of March 31, 2011, the Group received from the buyer an amount of RMB93,637,000 (equivalent to US$14,281,000) as a deposit for the acquisition, which is accounted for as a deposit received for sale of properties (included in trade and other payables) in the condensed consolidated statement of financial position. The transaction is expected to be completed in June 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$109,674,000 (September 30, 2010: US$99,427,000) and an aged analysis based on the invoice date is as follows:

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
0 to 30 days	**107,795**	97,431
31 to 90 days	**1,169**	1,138
Over 90 days	**710**	858
	109,674	99,427

13. SHARE CAPITAL

	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At October 1, 2009, March 31, 2010, September 30, 2010 and March 31, 2011	30,000,000,000	300,000
Issued and fully paid:		
At October 1, 2009, March 31, 2010, September 30, 2010 and March 31, 2011	4,290,495,163	42,905

Shown in the condensed consolidated financial statements as:

	US$'000
At October 1, 2009, March 31, 2010, September 30, 2010 and March 31, 2011	5,504

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES

For the period ended March 31, 2011

Yichuan is a limited liability company established in the PRC and is principally engaged in the sportswear retailing business. In order to strengthen the Group's market position and geographical coverage in the PRC, the Group exercised a Call Option to acquire the remaining 50% equity interest in Yichuan not already held by the Group. The transaction was completed on October 1, 2010 and control over Yichuan passed to the Group on the same date. This acquisition has been accounted for using the acquisition method and resulted in the recognition of goodwill of US$14,604,000, calculated as follows:

Goodwill arising on acquisition:

	US'000
Consideration transferred (note i)	64,470
Less: net assets acquired (note ii)	(49,866)
Goodwill arising on acquisition	14,604

Goodwill arose in the acquisition of Yichuan because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Yichuan. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES (Continued)

notes:

(i) Consideration transferred

	US$'000
The consideration for the acquisition comprises the following:	
Cash consideration (note a)	25,501
Consideration shares (note b)	2,693
Contingently issuable shares (note c)	1,092
Related call option (Note 9)	8,060
Fair value of previously held interest in Yichuan (note d)	27,124
Total consideration	64,470

notes:

(a) A total cash consideration of US$25,501,000, of which (i) US$19,223,000 was paid as a deposit at September 30, 2010; (ii) US$3,139,000 is payable before September 30, 2011; and (iii) US$3,139,000 is payable before September 30, 2012. The net present value of the total cash consideration approximates to the amount of cash paid and payable for the acquisition.

(b) The issue and allotment of 6,330,000 shares of HK$0.01 each in the Company each year for 3 years (which in aggregate are 18,990,000 shares of HK$0.01 each in the Company). Such issue and allotment of shares are to be completed on or before September 30, 2011, September 30, 2012 and September 30, 2013, respectively. The fair value of these consideration shares has been determined by American Appraisal China Limited ("American Appraisal"), a firm of independent professional valuers, using the closing share price of the Company as at September 30, 2010.

(c) For each of the three fiscal years ending September 30, 2013, if the audited after-tax profit of Yichuan reaches a pre-determined level, the Company will be required to issue an additional 5,000,000 shares of HK$0.01 each in the Company to the vendors. The fair value of these contingently issuable shares has been determined by American Appraisal, using the closing share price of the Company as at September 30, 2010 and with reference to management's best estimate of the likelihood that the profit target will be met.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES (Continued)

notes: (Continued)

(i) Consideration transferred (Continued)

notes: (Continued)

(d) The fair value of the 50% equity interest in Yichuan previously held by the Group has been re-measured as of the date of acquisition at US$27,124,000 by American Appraisal resulting in a gain of US$18,767,000.

(e) The acquisition-related costs of the above transaction amounting to US$51,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period (included in administrative expenses) in the condensed consolidated income statement.

(ii) Assets acquired and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	3,641
Deposit paid for acquisition of property, plant and equipment	480
Non-compete agreement (included in intangible assets) (note)	4,569
Brandname (included in intangible assets) (note)	37,501
Inventories	38,335
Trade and other receivables	23,477
Bank balances and cash	1,531
Trade and other payables	(31,535)
Taxation payable	(638)
Bank borrowings	(16,978)
Deferred tax liabilities	(10,517)
	49,866

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES (Continued)

notes: (Continued)

(ii) Assets acquired and liabilities recognised at the date of acquisition (Continued)

note:

Intangible assets, being the non-compete agreement and brandname, were valued as of that date by American Appraisal, on the following basis:

Non-compete agreement	The "With and Without" method under the Income Approach
Brandname	The Relief from Royalty method under the Income Approach

The non-compete agreement is amortised on a straight-line basis over five years. The brandname is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely.

In estimating the fair values of the intangible assets on initial recognition, the present values of the net cash flows attributable to the intangible assets have been determined using a discount rate of 14%. Other key assumptions used in the calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin. Such estimation was based on the past performance of Yichuan and its subsidiaries and management's expectations for the market development.

(iii) Net cash inflow arising on acquisition

	US'000
Bank balances and cash acquired	1,531

The revenue and profit of Yichuan for the current period is US$81,905,000 and US$1,992,000, respectively. As the acquisition of Yichuan was completed on October 1, 2010, such revenue and profit have been consolidated in full in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. SHARE-BASED PAYMENT TRANSACTIONS

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 persons, including directors and employees of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholder, (i) 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; (ii) 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; and (iii) options in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors.

Options are exercisable over the vesting periods to be determined by the Board of Directors, but in no case after 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.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following tables disclose movements in the Company's share options under the Scheme during the current period:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at October 1, 2009	Granted during the year	Lapsed/ cancelled during the year	Number of Options outstanding at October 1, 2010	Granted during the period	Lapsed/ cancelled during the period	Number of Options outstanding at March 31, 2011
Director										
Chang Karen Yi-Fen	21.1.2010	1.62	21.1.2011 - 20.1.2018	-	570,000	-	570,000	-	-	570,000
	21.1.2010	1.62	21.1.2012 - 20.1.2018	-	570,000	-	570,000	-	-	570,000
	21.1.2010	1.62	21.1.2013 - 20.1.2018	-	1,140,000	-	1,140,000	-	-	1,140,000
	21.1.2010	1.62	21.1.2014 - 20.1.2018	-	1,520,000	-	1,520,000	-	-	1,520,000
	20.1.2011	1.23	20.1.2012 - 19.1.2019	-	-	-	-	1,250,000	-	1,250,000
	20.1.2011	1.23	20.1.2013 - 19.1.2019	-	-	-	-	1,250,000	-	1,250,000
	20.1.2011	1.23	20.1.2014 - 19.1.2019	-	-	-	-	1,250,000	-	1,250,000
	20.1.2011	1.23	20.1.2015 - 19.1.2019	-	-	-	-	1,250,000	-	1,250,000
				-	3,800,000	-	3,800,000	5,000,000	-	8,800,000
Employees										
	21.1.2010	1.62	21.1.2011 - 20.1.2018	-	9,105,000	(748,500)	8,356,500	-	(623,250)	7,733,250
	21.1.2010	1.62	21.1.2012 - 20.1.2018	-	9,105,000	(748,500)	8,356,500	-	(623,250)	7,733,250
	21.1.2010	1.62	21.1.2013 - 20.1.2018	-	18,210,000	(1,497,000)	16,713,000	-	(1,246,500)	15,466,500
	21.1.2010	1.62	21.1.2014 - 20.1.2018	-	24,280,000	(1,996,000)	22,284,000	-	(1,662,000)	20,622,000
	20.1.2011	1.23	20.1.2012 - 19.1.2019	-	-	-	-	12,500,000	-	12,500,000
	20.1.2011	1.23	20.1.2013 - 19.1.2019	-	-	-	-	12,500,000	-	12,500,000
	20.1.2011	1.23	20.1.2014 - 19.1.2019	-	-	-	-	12,500,000	-	12,500,000
	20.1.2011	1.23	20.1.2015 - 19.1.2019	-	-	-	-	12,500,000	-	12,500,000
				-	60,700,000	(4,990,000)	55,710,000	50,000,000	(4,155,000)	101,555,000
Grand total				-	64,500,000	(4,990,000)	59,510,000	55,000,000	(4,155,000)	110,355,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Certain share options were granted on January 20, 2011. The fair values of the options determined at the date of grant using the Binomial Option Pricing Model (the "Model") was HK$30,938,000 (equivalent to US$3,982,000). The inputs into the Model and the estimated fair value of the share options are as follows:

	Share options with a vesting period of one year	Share options with a vesting period of two years	Share options with a vesting period of three years	Share options with a vesting period of four years
Exercise price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Grant date share price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Expected life of share options	4.5 years	5.0 years	5.5 years	6.0 years
Expected volatility	50% per annum	50% per annum	50% per annum	50% per annum
Expected dividend yield	0%	0%	0%	0%
Risk free rates	1.55% per annum	1.71% per annum	1.80% per annum	1.97% per annum
Fair value per share option	HK$0.52	HK$0.55	HK$0.58	HK$0.60

The closing price of the Company's shares immediately before the grant of the share options was HK$1.28 per share.

During the six months ended March 31, 2011, the Group recognised an expense of US$1,220,000 (six months ended March 31, 2010: US$413,000) as equity-settled share-based payments in the condensed consolidated income statement with reference to their respective vesting periods, after deducting the reversal of share option expenses of US$111,000 (six months ended March 31, 2010: US$5,000) in respect of those share options cancelled prior to their vesting dates.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. CONTINGENCIES AND COMMITMENTS

The Group had the following contingencies and commitments:

(I) Contingencies

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	11,362	20,494
– amount utilised	10,750	17,444
(ii) a former subsidiary		
– amount guaranteed	12,201	–
– amount utilised	12,201	–

(II) Commitments

	At March 31, 2011 US$'000 (unaudited)	At September 30, 2010 US$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of the remaining interests in a jointly controlled entity	-	8,969
Other commitments contracted for but not provided in the condensed consolidated financial statements in respect of capital investment in jointly controlled entities	1,586	1,556
	1,586	10,525

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended March 31, 2011.

BUSINESS REVIEW

For each of our businesses, the retail business distributes a wide range of sportswear products, including various footwear, apparel and accessories, for certain leading international and domestic sportswear brands to end customers through our directly operated retail outlets, and also to retail sub-distributors on a wholesale basis, which in turn sell the products through their retail outlets under our supervision. As part of our strategy to enrich our retail network, brand portfolio and geographic coverage, we have established regional joint ventures in different regions in the PRC with leading local retailer. Those regional joint ventures operate their retail business under a model similar to ours. As at March 31, 2011, we had 2,765 directly operated retail outlets, and 3,282 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 1,251 and 1,018 respectively. (The Group completed the acquisition of the remaining equity interests in Zhejiang Yichuan Sports Goods Chain Company Limited ("Zhejiang Yichuan"), its original joint venture on October 1, 2010, and the number of the Group's directly operated retail outlets and retail sub-distributors aforesaid had included the number of outlets of Zhejiang Yichuan.)

For our brand licensee business, we are the exclusive brand licensee for selected international brands, namely Converse, Reebok, Wolverine and Hush Puppies. The brand licensee agreements we have entered into typically grant us exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices under products of the licensed brands in specified locations within the Greater China Region for a specified period of time. Currently, we are the exclusive brand licensee for Converse's footwear, apparel and accessories in Hong Kong, Macau and Taiwan until December 31, 2012. Besides, the Group is the exclusive brand licensee for Reebok products in the mainland China until December 31, 2015.

In our manufacturing business, we manufacture OEM/ODM products for various brands at our Taicang factory, namely Li Ning, ANTA, Umbro, Kappa, 361°, Lotto and XTEP.

Regarding the joint venture business, the Group completed the acquisition of the remaining equity interests in Zhejiang Yichuan on October 1, 2010, which has now become a wholly owned subsidiary of the Group. A series of integration work was immediately commenced. Considering the diversification and long-term plan to expand the Group's retail market, regional coverage and to diversify licensee brands, the Group continued the integration work of business, financial management and system with several regional joint ventures. We may decide to acquire the remaining equity interests of these regional joint ventures when the integration progress becomes mature under a favorable market condition, to enable us to become one of the leading retailers in the Greater China Region.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended March 31, 2011, the Group recorded revenue of US$771 million and profit attributable to owners of the Company of US$34.5 million (the profit attributable to owners of the Company reflected non-recurring net gain of US$11.9 million of gain on deemed disposal of a jointly controlled entity, fair value changes on derivative financial instruments and impairment losses of interests in an associate and jointly controlled entities, etc.), representing an increase of 17.9% and 291% respectively as compared with the same period of last year.

While the operation of the Group's business was getting more stable, the overall performance of the regional joint ventures indicated a slowdown as compared with that in the past. Excluding the effect bought by the acquisition and the termination of investment in regional joint ventures, most of the remaining regional joint ventures were affected by its owned operating model and the pace of adjustment that was lagged behind, hence resulting in a weaker performance as compared with that in the past. For the six months ended March 31, 2011, share of results of joint ventures was loss of US$4.6 million. In the light of the aforesaid situation, the Group has worked closely with the joint venture partners on proposals to improve operation and reviewed the investment direction and structure of the joint ventures in order to increase its earnings.

Based on the foregoing, with the initial recovery in the industry, we persisted in strengthening our profitability by continuously focusing on our business nature, for example to improve operation excellence by rationalizing outlets distribution, optimizing inventory level and improving in-line products sellthrough. We believe these will eventually create our long term sustainable core competence, hence our margin would be improved and our leading position in the market would be consolidated.

REVENUE

Our revenue increased by 17.9% to US$771 million for the six months ended March 31, 2011 as compared with the same period of last year. This increase was primarily due to the continuing growth in our retail and manufacturing businesses where the growth in retail business comprised factors in relation to acquisition of the remaining equity interest in Zhejiang Yichuan. Excluding such acquisition, the Group's revenue for the current period would have been US$689 million, representing an increase of 5.4% as compared with the same period of previous year.

Retail Business

Revenue from our retail business increased by 16.7% to US$666 million as compared with the same period of last year. This increase was primarily attributable to the acquisition of Zhejiang Yichuan.

MANAGEMENT DISCUSSION AND ANALYSIS

Brand Licensee Business

Revenue from our brand licensee business increased by 20.5% to US$28.7 million as compared with the same period of last year, which was primarily due to the launch of RBK business and the natural increase of existing brands.

Manufacturing Business

As the number of production lines increased to 24 in this period, from 19 of the last corresponding period in 2010, revenue growth from our manufacturing business increased by 28.3% to US$76.2 million as compared with the same period of last year. The capacity utilization rate reached a full-blown status and the average selling price remained stable.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$237 million, representing an increase of 18.1% compared with last year. Gross profit margin was 30.7%.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group for the six months ended March 31, 2011 increased to US$212 million, representing an increase of 11.1% as compared with the same of last year. The increase in expenses was mainly due to the full consolidation of Zhejiang Yichuan's financial information during this fiscal year. The Group aimed at rationalizing its operating costs and continues to reduce costs. The percentage of distribution expenses and administrative expenses to revenue decreased to 27.4% this period, from 29.1% in the same period of last year.

OPERATING PROFIT

To sum up the above, the Group's operating profit during the period increased to US$42.2 million, representing a significant increase of 162.1% as compared with the same period of last year.

GAIN ON DEEMED DISPOSAL OF A JOINTLY CONTROLLED ENTITY

During the period, a non-recurring gain of US$18.8 million on deemed disposal of a jointly controlled entity was recorded after completion of acquisition of the remaining 50% equity interests in Zhejiang Yichuan.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPAIRMENT LOSSES OF INTERESTS IN AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

For the six months ended March 31, 2011, the impairment losses of approximately US$2 million have been made in respect of the Group's interests in an associate and jointly controlled entities due to the expectation of losses arising from the anticipated future disposals.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

For the six months ended March 31, 2011, the Group's fair value changes on derivative financial instruments were loss of US$4.7 million. Assuming that the basic factors used in assessing the value of derivative financial instruments remained constant, the Group expected that the value of derivative financial instruments would decrease year by year due to the shortened remaining years for the exercising of the call options under the relevant Call Options agreements.

INTEREST EXPENSES ON BANK BORROWINGS WHOLLY REPAYABLE WITHIN FIVE YEARS

Our interest expenses on bank borrowings wholly repayable within five years decreased to US$ 5.1 million, representing a decrease of 19.1% compared with the same period of last year, as a result of the average monthly outstanding borrowings decreased during the period.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Our share of results of associates and jointly controlled entities was loss of US$4.6 million for the six months ended March 31, 2011 while that for the same period of last year was share of profit of US$4.8 million. Our share of results took a turn to loss from profit mainly because (1) the Group still shared the results of four joint ventures, namely Zhejiang Yichuan, Jinguan, Jiezhixing and Shenge in the same period of last year, whereas the Group had successively disposed of or acquired these companies since the second half of last year. Hence, the base on which the Group shared the results of these joint ventures under this item diminished during the current period; and (2) the effectiveness associated with the channel expansion of some joint ventures slowed down, more efforts were made to increase sales and intensify price markdown, consequently, relevant sales and management expenses increased and the profit was decreased and resulting in loss.

INCOME TAX EXPENSE

As the profit before taxation in subsidiaries increased, our income tax expense increased to US$12.2 million, representing an increase of 133.3% as compared with the same period of last year. Except for certain subsidiaries in the PRC that enjoyed different preferential tax rate, a statutory tax rate of 25% was applied to the rest of the Group in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT FOR THE PERIOD

Our profit for the six months ended March 31, 2011 was US$35.5 million, representing an significant increase of 317.8% as compared with the same period of last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the six months ended March 31, 2011 and the fiscal year ended September 30, 2010 were 100 days and 111 days respectively. The decrease was primarily due to various continued measures taken by the Group in liquidating excess inventory, as a result of which the average inventory level is currently returned to a reasonable level.

The average trade receivables turnover days for the six months ended March 31 2011 and the fiscal year ended September 30, 2010 were 31 days and 33 days respectively. Average trade receivables turnover days remained consistent with the credit terms of 30 to 60 days that the Group granted to its department store counters and retail distributors.

The average trade and bill payables turnover days for the six months ended March 31, 2011 and the fiscal year ended September 30, 2010 were 36 days and 43 days respectively. As the Group recorded a relatively sufficient cash flow from operation for the current period, we continue our plan to use the capital to match the cash rebate policy offered by the brand companies in exchange for quicker payment for merchandise, hence the average trade and bill payables turnover days decreased.

LIQUIDITY AND FINANCIAL RESOURCES

As at March 31, 2011, the Group's cash and cash equivalents were US$147 million (September 30, 2010: US$178 million) and the working capital (current assets minus current liabilities) was US$436 million (September 30, 2010: US$354 million). Our total bank borrowings decreased by 21% to US$173 million, from US$218 million as at September 30, 2010, of which US$146 million are repayable within one year and US$26.9 million are repayable more than one year but not exceeding three years. The bank borrowings were denominated mainly in Renminbi and cash and cash equivalents were mainly held in Renminbi as well. The Group's current ratio was 222%, (September 30, 2010: 198%). The gearing ratio (total borrowings divided by total assets) was 14% as at March 31, 2011 (September 30, 2010: 18%).

For the six months ended March 31, 2011, net cash from operating activities was US$47.4 million. The Group believes our liquidity requirement 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 US$10 million, and capital expenditure used to purchase of property, plants and equipment was of US$15.1 million during the period. Net cash used in financing activities was US$70.3 million. During the period, the Group had raised and repaid bank borrowings of US$94 million and US$159 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2011, the Group had capital commitments of US$1.6 million in respect of investment in jointly controlled entities. In addition, the Group had contingent liabilities of US$10.8 million and US$12.2 million in relation to guarantee given to banks in respect of banking facilities granted to jointly controlled entities and a former subsidiary.

FOREIGN EXCHANGE

The Group conducts its businesses primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. An appreciation or depreciation between US dollars and Renminbi may result in translation gain or loss in our financial statements as US dollar is used as our reporting currency. As at March 31, 2011, the Group had no significant hedges for the foreign exchange.

PROSPECTS

Currently, statistics indications in different aspects show that the global economy has come to its period of recovery and growth. However, concerns over inflation prevails despite that the economy of China maintains its momentum of high growth, which may affect marginal consumption powers and inclinations of consumers. On the other hand, in respect of the condition of the sportswear industry that the Group operated in, lag effects as a result of the over heated expansion of sportswear retailing industry before and after the Olympics have led the overall industry to the stage of readjustment and reconstruction, which could bring about growth opportunities and risks at the same time. As a leading sportswear retailer in the industry and in view of this change, the Group still needs to intensify its speed to reform its overall organization, constitution and business model, and to establish a harmony corporate culture and right staff's value, in order to secure its mid- to long-term core competitiveness and then to accomplish it's mission.

Leveraging on the continued restructuring and planning of product purchase and product line profile by the management team over the past year, the Group's current inventory is back to a relatively healthy level. Looking forward, the Group will continue to act with prudence and implement the following strategies after taking into consideration of the general economic condition and its own operations so as to proactively strengthen our position as a leading sportswear retailer in the PRC.

- With our commitment to continuous growth and in order to maintain our leading position in the market, we will focus more on increasing productivity of existing outlets and developing innovative ways or models, for example multi-brand outlet, as our core growth driver. In addition, we will prudently and rapidly expand retail and wholesale roadmap in the lower-tier cities in the PRC to grasp the potential business opportunities created from urbanization and the increase in income per capita, in order to maintain our economy of scale.

MANAGEMENT DISCUSSION AND ANALYSIS

- We plan to enhance our operational efficiency by continuing the measures such as optimizing outlets distribution, optimizing inventory level, improving regular-priced and seasonal products sell-through ratio and other new plans such as streamlining our organizational structure to improve the overall operating performance.

- We will continuously identify opportunities to expand its brand licensee business with an aim to create its business portfolio and enhance the growth niche of results in the future. Regarding Reebok brand, the short-term objectives of the Group are to increase brand strength, restructure product line and develop design products which meet the consumers' needs in the PRC market. The mid-term objectives are to further expand its retail and distributing network, achieve economics of scale and finally form a business model with a maximized value chain which combines design, development and production. We will continue to further develop our supply chain solutions with the brand companies, which can create initiative models that may create an integrated value chain, optimize inventory management and lower use of working capital during the relatively long operation cycle.

- In respect to integration and development management of joint ventures, joint ventures are now under the stage of management and business restructure as a whole due to the reform of their licensed brands. This resembles the previous adjustment process of the Company and needs certain amount of time. The Group is in closely negotiation with certain potential joint venture partners for chances to further co-operate or integrate, and will plan prudently to pursue a larger market share and strengthen the leadership in the industry.

- The Group will divide its future development in three stages:

  Current stage – "complete and internal change"

  To carry out the overall strategies of the Group, the Group will divide its nationwide retail business into several key regions, try to suit the measure to local conditions to integrate resources and conduct intensive exploration in each geographic location for profit enhancement. For brand relationship development, we will fully utilize the competitive advantages of resource integration, information sharing, experience promotion, resource procurement, inventory allocation, talent optimization and mobility as a retail group on nationwide level, as thus enhance general profitability of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Short to mid-term stage – "innovation and breakthrough"

The Group will promote the extensive research results on channel innovation and retail innovation and establish various retail models based on consumer's preferences in order to create more add-in values for the consumers. In addition, it will make good use of its advantages of combining the brand department to develop the multi-brand product channel and enhance the proportion of brand licensee business in order to earn excess profits in the industry.

Long term stage – "establishment of leading position"

The Group will endeavor to attain a leading position in the market that it will develop various channel portfolios matched up with different brands and products and operate with an operational capacity superior to other players in the industry, in order to accomplish the vision of becoming a leading sports retailer that is closely tied to its consumers and equip with an innovation ability. The Group will be the first choice for consumer as well as the best partner for branded companies.

HUMAN RESOURCES

As at March 31, 2011, the Group had a total of 26,600 employees. The Group reviews the performance of its employees periodically, which serves as a consideration basis in annual salary review and promotion appraisals. In order to remain competitive in the labor market, we also make reference to remuneration packages offered by peers in the industry. For our senior management, the Group reward its senior management with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social securities, mandatory retirement funds, medical coverage and training programs to employees based on their personal career development.

SHARE OPTION SCHEME

On January 20, 2011, the Company granted to certain participants options under which the holders are entitled to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company pursuant to the Share Option Scheme at an exercise price of HK$1.23 per share. The number of shares exercisable and subscribable pursuant to the options granted then was 55,000,000.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at March 31, 2011, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long Position

	Number of ordinary shares					
Name of Director	Beneficial owners	Held by spouse and/or children under 18	Held by controlled corporation	Held by a discretionary trust	Total	Percentage of the issued share capital of the Company
Ordinary shares of HK$0.01 each of the Company						
Tsai David, Nai Fung	4,833,000	–	–	–	4.833.000	0.11%
Tsai Patty, Pei Chun	4,460,000	–	–	–	4,460,000	0.10%
Chang Karen Yi-Fen	16,389,000*	–	–	–	16,389,000*	0.38%

* Out of 16,389,000 shares, 8,800,000 shares were share options. 3,800,000 and 5,000,000 share options were granted on January 21, 2010 and January 20, 2011 respectively. Details of the share options are stipulated in the section "Share Option Scheme" in this interim report.

OTHER INFORMATION

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The Company recognizes the importance of attracting talents and retaining employees by providing them with incentives and rewards through granting share-based incentives. The Company believes that this will align their interests with that of the Company. In this connection, the Company has maintained the Share Option Scheme for the employees, the details of which are stipulated as follows:

Share Option Scheme

On May 14, 2008, the Company adopted the Share Option Scheme under which the board of the Company (the "Board") may at its discretion grant any eligible participant share options, as it may determine appropriate. The Share Option Scheme is valid and effective for a period of ten years commencing on May 14, 2008, after which no further options may be offered or granted.

Pursuant to the share option scheme, 64,500,000 options and 55,000,000 options were granted to eligible participants of the Group on January 21, 2010 and January 20, 2011 respectively. The Group recognized a total expense of US$1,220,000 as equity-settled share-based payments in relation to the options granted by the share option scheme for the period ended March 31, 2011.

Movements of the options, which were granted under the Share Option Scheme, during the period under review were listed below:

	Date of grant	Exercise price HK$	Exercise period	Number of options outstanding at 01/10/2010	Granted during the period	Exercise during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31/03/2011
Director								
Chang Karen Yi-Fen	21/01/2010	1.62	21/01/2011- 20/01/2018	570,000	-	-	-	570,000
	21/01/2010	1.62	21/01/2012- 20/01/2018	570,000	-	-	-	570,000
	21/01/2010	1.62	21/01/2013- 20/01/2018	1,140,000	-	-	-	1,140,000
	21/01/2010	1.62	21/01/2014- 20/01/2018	1,520,000	-	-	-	1,520,000
	20/01/2011	1.23	20/01/2012 - 19/01/2019	-	1,250,000	-	-	1,250,000
	20/01/2011	1.23	20/01/2013- 19/01/2019	-	1,250,000	-	-	1,250,000
	20/01/2011	1.23	20/01/2014- 19/01/2019	-	1,250,000	-	-	1,250,000
	20/01/2011	1.23	20/01/2015- 19/01/2019	-	1,250,000	-	-	1,250,000

OTHER INFORMATION

	Date of grant	Exercise price HK$	Exercise period	Number of options outstanding at 01/10/2010	Granted during the period	Exercise during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31/03/2011
Employees	21/01/2010	1.62	21/01/2011- 20/01/2018	8,356,500	-	-	(623,250)	7,733,250
	21/01/2010	1.62	21/01/2012- 20/01/2018	8,356,500	-	-	(623,250)	7,733,250
	21/01/2010	1.62	21/01/2013- 20/01/2018	16,713,000	-	-	(1,246,500)	15,466,500
	21/01/2010	1.62	21/01/2014- 20/01/2018	22,284,000	-	-	(1,662,000)	20,622,000
	20/01/2011	1.23	20/01/2012- 19/01/2019	-	12,500,000	-	-	12,500,000
	20/01/2011	1.23	20/01/2013- 19/01/2019	-	12,500,000	-	-	12,500,000
	20/01/2011	1.23	20/01/2014- 19/01/2019	-	12,500,000	-	-	12,500,000
	20/01/2011	1.23	20/01/2015- 19/01/2019	-	12,500,000	-	-	12,500,000
Total				59,510,000	55,000,000	-	(4,155,000)	110,355,000

The vesting period of the options is from the date of grant until the commencement of the exercise period.

The closing price immediately before the date of which the options were granted during the period was HK$1.28 and the fair value, vesting schedule, exercise period of the options are as follows:

Vesting period	**Exercise period**	**Percentage vesting**	**Fair value (per option)** HK$
20/01/2011 to 19/01/2012	20/01/2012 to 19/01/2019	25% of options granted	0.52
20/01/2011 to 19/01/2013	20/01/2013 to 19/01/2019	25% of options granted	0.55
20/01/2011 to 19/01/2014	20/01/2014 to 19/01/2019	25% of options granted	0.58
20/01/2011 to 19/01/2015	20/01/2015 to 19/01/2019	25% of options granted	0.60

The binomial option pricing model (the "Model") was adopted to assess the fair value of the options granted as at the grant date during the review period. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables as adopted may materially affect the estimation of the fair value of an option.

OTHER INFORMATION

Specific assumptions were made in the Model in relation to risk free rate, volatility, dividend yield, life of options and trading days. Certain general assumptions relating to the political, legal, fiscal or economic conditions in the country or district where the business is in operation, taxation law, inflation, interest and currency exchange rate, key management and technical personnel, the existing state of the business and debts of the Company were also made.

The major inputs into the Model are as follows:

	Options granted on January 20, 2011
Date of grant (measurement date)	January 20, 2011
Closing price on the date of grant	HK$1.23
Exercise price per share	HK$1.23
Expected volatility	50%
Expected life of the option	vesting period plus one half of exercise period
Annual risk free rate	1.55% – 1.97%
Expected dividend yield	NIL

The risk free rate is assumed to be equaled to the yield of Hong Kong Exchange Fund Bills/Notes over the exercise period near the grant date.

It is expected the dividend yield will be zero in the future.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share average prices of the Company and the listed companies with similar business over the past years immediately preceding the grant date. The calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the underlying shares.

Save as disclosed above, at no time during the period from October 1, 2010 to March 31, 2011 was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at March 31, 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of certain Directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of Shareholder	Notes	Capacity/ Nature of interest	Number of ordinary shares held	Approximate percentage of interest in the issued share capital of the Company
Major Focus Management Limited ("Major Focus")	a	Beneficial owner	2,408,344,622	56.13%
Wealthplus Holdings Limited ("Wealthplus")	b	Interest of a controlled corporation	2,408,344,622	56.13%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	a, b	Interest of a controlled corporation	2,408,344,622	56.13%
Pou Chen Corporation ("PCC")	b	Interest of a controlled corporation	2,408,344,622	56.13%
Jollyard Investments Limited ("Jollyard")	c	Beneficial owner	216,945,000	5.06%
Sitori Trading Limited ("Sitori Trading")	c	Interest of a controlled corporation	216,945,000	5.06%
Shih Ching-I	c	Interest of a controlled corporation	216,945,000	5.06%
Allianz SE	d	Interest of a controlled corporation	215,135,000	5.01%

OTHER INFORMATION

Notes:

All the shares are long positions.

a. 2,408,344,622 shares are held by Major Focus, a wholly-owned subsidiary of Yue Yuen.

b. PCC 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, 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 is wholly owned by PCC and is interested in 46.55% of the issued share capital of Yue Yuen. Mr. Tsai David, Nai Fung and Ms. Tsai Patty, Pei Chun who are Directors are also directors of Wealthplus. Mr. Tsai David, Nai Fung who is a Director is also a director of PCC. Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien who are Directors are also directors of Yue Yuen.

c. These shares are held by Jollyard. Jollyard is wholly-owned by Sitori Trading, which is in turn wholly-owned by Ms. Shih Ching-I.

d. Allianz SE is deemed to be interested in these shares under the SFO by virtual of its indirect wholly-owned interests in Allianz Global Investors AG, which in turn is deemed to be interested in theses shares under the SFO by virtue of its indirectly wholly-owned interests in Allianz Global Investors Asia Pacific GmbH, Allianz Global Investors of America Holdings Inc. and Allianz Global Investors Europe Holding GmbH respectively.

   Allianz Global Investors Asia Pacific GmbH wholly-owned Allianz Global Investors Taiwan Ltd and Allianz Global Investors Hong Kong Ltd which held 13,300,000 shares and 62,869,000 shares respectively.

   Allianz Global Investors of America Holdings Inc. wholly-owned Allianz Global Investors Capital LLC which held 506,000 shares.

   Allianz Global Investors Europe Holding GmbH wholly-owned Allianz Global Investors Luxembourg S.A. and Allianz Global Investments Ireland Ltd which held 107,908,000 shares and 30,552,000 shares respectively.

Save as disclosed above, as at March 31, 2011, the Directors were not aware of any other person (other than Directors 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 and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The salary of Ms. Chang Karen Yi-Fen ("Ms. Chang"), the Chief Executive Officer and Executive Director of the Company was increased from US$180,000 per annum to approximately US$662,000 (RMB4,338,000) per annum with effect from February 1, 2011. Ms. Chang has been appointed the chairman of 浙江易川體育用品連鎖有限公司 (Zhejiang Yichuan Sports Goods Chain Company Limited), 金華市動向體育用品有限公司 (Jin Hua Shi Dong Xiang Sports Goods Company Limited), 金華市易想體育用品有限公司 (Jin Hua Shi Yi Xiang Sports Goods Company Limited) and 常勝投資有限公司 (Pou Sheng (China) Investment Co., Ltd), PRC subsidiaries of the Company.

On March 7, 2011, Mr. Chang Li Hsien, Leslie was appointed independent non-executive director and a member of audit committee of the Company replacing the vacancy of Mr. Cheng Ming Fun Paul, who resigned with effect from March 1, 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended March 31, 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF ACCOUNTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and in the course have discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended March 31, 2011.

The external auditor has reviewed the interim financial information for the six months ended March 31, 2011 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE

During the six months ended March 31, 2011, the Company has applied the principles of and has complied with all code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code throughout the six months ended March 31, 2011.

ACKNOWLEDGEMENT

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

DIRECTORS

As at the date of this report, Mr. Tsai David, Nai Fung is the Chairman and Non-executive Director; Ms. Chang Karen Yi-Fen is the Chief Executive Officer and Executive Director; Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien are the Non-executive Directors; and Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Mak Kin Kwong and Mr. Chang Li Hsien, Leslie are the Independent Non-executive Directors.

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, May 31, 2011

Website: www.pousheng.com