POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code：3813)

YY SPORTS 胜道

2012 INTERIM REPORT

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INTERIM RESULTS

THE GROUP'S FINANCIAL HIGHLIGHTS

	For the six months ended March 31, 2012	2011	Percentage increase (decrease)
Revenue *(US$'000)*	**846,108**	771,228	**9.7%**
Operating profit *(US$'000)*	**11,964**	42,183	**(71.6)%**
(Loss) profit attributable to owners of the Company *(US$'000)*	**(17,621)**	34,516	**-**
Basic (loss) earnings per share *(US cent)*	**(0.41)**	0.80	**-**

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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, 2012 with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended March 31, 2012

	NOTES	For the six months ended March 31, 2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Revenue	3	**846,108**	771,228
Cost of sales		**(589,377)**	(534,601)
Gross profit		**256,731**	236,627
Other income and gains (losses)		**18,810**	18,808
Selling and distribution expenses		**(221,094)**	(179,600)
Administrative expenses		**(42,483)**	(33,652)
Operating profit		**11,964**	42,183
Interests on bank borrowings wholly repayable within five years		**(7,503)**	(5,133)
Finance income		**2,476**	3,248
Finance cost – net		**(5,027)**	(1,885)
Share of results of associates		**117**	(21)
Share of results of jointly controlled entities		**(7,541)**	(4,533)
Gain on deemed disposal of jointly controlled entities	14(j)	**5,898**	18,767
Gain on disposal of properties	11	**4,685**	–
Impairment losses of interests in an associate and jointly controlled entities		**(6,290)**	(2,000)
Impairment loss of an available-for-sale investment		**-**	(100)
Fair value changes on derivative financial instruments		**(15,161)**	(4,720)
(Loss) profit before taxation		**(11,355)**	47,691
Income tax expense	4	**(4,369)**	(12,175)
(Loss) profit for the period	5	**(15,724)**	35,516
Attributable to:			
Owners of the Company		**(17,621)**	34,516
Non-controlling interests		**1,897**	1,000
		(15,724)	35,516
(Loss) earnings per share	7		
– Basic		**US(0.41) cent**	US0.80 cent
– Diluted		**US(0.41) cent**	US0.80 cent

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended March 31, 2012

	For the six months ended March 31,	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	**(15,724)**	35,516
Exchange difference arising on translation	**20,955**	14,839
Total comprehensive income for the period	**5,231**	50,355
Attributable to:		
Owners of the Company	**3,105**	48,967
Non-controlling interests	**2,126**	1,388
	5,231	50,355

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2012

	NOTES	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**136,196**	117,173
Deposit paid for acquisition of property, plant and equipment	8	**971**	918
Prepaid lease payments		**24,659**	24,321
Rental deposits and prepayments		**26,584**	25,927
Intangible assets		**147,309**	111,882
Goodwill		**91,593**	42,226
Interests in associates		**7,253**	8,387
Loans to associates		**7,644**	7,536
Interests in jointly controlled entities		**28,422**	41,950
Loans to jointly controlled entities		**36,991**	45,878
Deposit paid for acquisition of the remaining interest in jointly controlled entities		**1,963**	1,219
Deposit paid for proposed acquisition of a business	14(d)	**-**	3,127
Long-term loan receivables		**8,431**	8,311
Available-for-sale investment		**-**	-
Derivative financial instruments	9	**5,834**	22,363
Pledged bank deposits		**12,687**	12,507
Deferred tax assets		**3,458**	1,978
		539,995	475,703
Current assets			
Inventories		**553,962**	400,806
Trade and other receivables	10	**282,781**	280,717
Prepaid lease payments		**641**	625
Taxation recoverable		**640**	1,369
Amounts due from related parties		**3,746**	3,693
Bank balances and cash		**183,745**	172,688
		1,025,515	859,898
Assets classified as held for sale	11	**-**	37,168
		1,025,515	897,066

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INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At March 31, 2012

	NOTES	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Current liabilities			
Trade and other payables	12	**292,557**	279,512
Taxation payable		**5,543**	5,298
Amounts due to related parties		**394**	65
Bank overdrafts		**29,110**	–
Bank borrowings		**285,398**	168,187
		613,002	453,062
Net current assets		**412,513**	444,004
Total assets less current liabilities		**952,508**	919,707
Non-current liabilities			
Consideration payable for acquisition of business	14(g)	**18,410**	–
Deferred tax liabilities		**37,417**	30,403
		55,827	30,403
Net assets		**896,681**	889,304
Capital and reserves			
Share capital	13	**5,465**	5,513
Reserves		**873,361**	868,819
Equity attributable to owners of the Company		**878,826**	874,332
Non-controlling interests		**17,855**	14,972
Total equity		**896,681**	889,304

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended March 31, 2012

	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, 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 considerations for acquisition of subsidiaries settled by shares	-	-	-	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
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	15,597	-	15,597	319	15,916
Profit for the period	-	-	-	-	-	-	-	-	19,154	19,154	140	19,294
Total comprehensive income and expense for the period	-	-	-	-	-	-	-	15,597	19,154	34,751	459	35,210
Acquisition of subsidiaries	9	889	-	(898)	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	1,253	-	-	-	1,253	-	1,253
Realised on deregistration of subsidiaries	-	-	-	-	-	-	-	965	(965)	-	-	-
Realised on disposal of jointly controlled entities	-	-	-	-	-	-	-	(377)	377	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	(5,961)	-	-	-	-	-	(5,961)	(1,162)	(7,123)
Capital contributed by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	590	590
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(96)	(96)
Transfer	-	-	-	-	-	-	3,697	-	(3,697)	-	-	-
At September 30, 2011 (audited)	5,513	693,570	96,269	(214,250)	8,108	4,051	25,823	73,680	181,568	874,332	14,972	889,304
Exchange difference arising on the translation of financial statements	-	-	-	-	-	-	-	20,726	-	20,726	229	20,955
(Loss) profit for the period	-	-	-	-	-	-	-	-	(17,621)	(17,621)	1,897	(15,724)
Total comprehensive income and expense for the period	-	-	-	-	-	-	-	20,726	(17,621)	3,105	2,126	5,231
Repurchase of own shares	(48)	(4,970)	-	-	-	-	-	-	-	(5,018)	-	(5,018)
Recognition of considerations for acquisition of business settled by shares (Note 14(f))	-	-	-	3,412	-	-	-	-	-	3,412	-	3,412
Recognition of equity-settled share-based payments	-	-	-	-	-	1,381	-	-	-	1,381	-	1,381
Realised on deregistration of a subsidiary	-	-	-	-	-	-	-	100	(100)	-	-	-
Realised on deemed disposal of a jointly controlled entity	-	-	-	-	-	-	-	(451)	451	-	-	-
Partial disposal of interests in subsidiaries without losing control	-	-	-	1,614	-	-	-	-	-	1,614	1,123	2,737
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(366)	(366)
Transfer	-	-	-	-	-	-	973	-	(973)	-	-	-
At March 31, 2012 (unaudited)	5,465	688,600	96,269	(209,224)	8,108	5,432	26,796	94,055	163,325	878,826	17,855	896,681

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended March 31, 2012

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 or received and the relevant share of carrying value of the subsidiaries' net assets acquired from or disposed of to the non-controlling interests and (ii) the fair values of the share-settled consideration at the dates of acquisition of subsidiaries' business in current and prior periods that, less the amount already settled by the Company by the issue of 6,330,000 shares for the acquisition of Yichuan (as defined in Note 14) during the six months ended September 30, 2011, will be settled by the Company by the issue of a fixed number of its ordinary shares in certain future dates, as set out in 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, 2012

	NOTE	For the six months ended March 31, 2012 US$'000 (unaudited)	2011 US$'000 (unaudited)
Net cash (used in) from operating activities		**(78,445)**	47,363
Net cash used in investing activities			
Acquisition of subsidiaries and business (net of cash and cash equivalents acquired)	14	**(35,681)**	1,531
Purchase of property, plant and equipment		**(13,977)**	(15,051)
Repayment from (advances to) jointly controlled entities		**1,603**	(904)
Proceeds from disposal of properties		**7,929**	–
Increase in pledged bank deposits		**-**	(12,201)
Investment in available-for-sale investments		**-**	5,177
Repayments of loan receivables		**-**	6,680
Other investing cash flows		**1,176**	4,758
		(38,950)	(10,010)
Net cash from (used in) financing activities			
Bank borrowings raised		**203,847**	94,418
Proceeds from partial disposal of interests in subsidiaries without losing control		**2,737**	–
Shares repurchased		**(5,018)**	–
Repayment of bank borrowings		**(96,142)**	(159,398)
Other financing cash flows		**(7,869)**	(5,348)
		97,555	(70,328)
Net decrease in cash and cash equivalents		**(19,840)**	(32,975)
Effect of foreign exchange rate changes		**1,787**	2,248
Cash and cash equivalents brought forward		**172,688**	178,056
		154,635	147,329
Cash and cash equivalents carried forward, represented by			
Bank balances and cash		**183,745**	147,329
Bank overdrafts		**(29,110)**	–
		154,635	147,329

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with 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, 2011.

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, 2011. 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.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

Amendment to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[1]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after January 1, 2013
2 Effective for annual periods beginning on or after January 1, 2015
3 Effective for annual periods beginning on or after July 1, 2012
4 Effective for annual periods beginning on or after January 1, 2012
5 Effective for annual periods beginning on or after January 1, 2014

Saved as disclosed in the annual report for the year ended September 30, 2011, the Directors of the Company anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have no material impact on the results and the financial position of the Group.

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, as set out below for which discrete financial information is available.

(i) retailing of sportswear products and footwear products and commissions from leasing of large scale commercial spaces to retailers and distributors for concessionaire sales ("Retail Business");

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the periods under review.

For the six months ended March 31, 2012

	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 – sportswear and footwear products	743,899	27,632	67,779	839,310	-	839,310
External sales – commissions from concessionaire sales	6,798	-	-	6,798	-	6,798
Inter-segment sales*	-	11,142	-	11,142	(11,142)	-
Total	750,697	38,774	67,779	857,250	(11,142)	846,108
RESULTS						
Segment results	19,674	(6,077)	5,999	19,596	-	19,596
Reconciling items:						
Central administrative expenses						(7,632)
Finance costs-net						(5,027)
Share of results of associates						117
Share of results of jointly controlled entities						(7,541)
Gain on deemed disposal of a jointly controlled entity						5,898
Gain on disposal of properties						4,685
Impairment losses of interests in an associate and jointly controlled entities						(6,290)
Fair value changes on derivative financial instruments						(15,161)
Loss before taxation						(11,355)

INTERIM RESULTS

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, 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 – sportswear and footwear products	661,621	28,670	76,151	766,442	–	766,442
External sales – commissions from concessionaire sales	4,786	–	–	4,786	–	4,786
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

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

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.

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, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Segment assets		
Retail business	**1,096,781**	900,165
Brand licensee business	**53,329**	35,875
Manufacturing business	**106,519**	104,399
Total segment assets	**1,256,629**	1,040,439
Interests in associates	**7,253**	8,387
Loans to associates	**7,644**	7,536
Interests in jointly controlled entities	**28,422**	41,950
Loans to jointly controlled entities	**36,991**	45,878
Loan receivables	**13,609**	11,461
Derivative financial instruments	**5,834**	22,363
Bank balances and cash and pledged bank deposits	**196,432**	185,195
Other unallocated assets	**12,696**	9,560
Consolidated assets	**1,565,510**	1,372,769
Segment liabilities		
Retail business	**246,547**	237,902
Brand licensee business	**22,901**	14,435
Manufacturing business	**16,739**	23,444
Total segment liabilities	**286,187**	275,781
Bank borrowings and bank overdrafts	**314,508**	168,187
Other unallocated liabilities	**68,134**	39,497
Consolidated liabilities	**668,829**	483,465

INTERIM RESULTS

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 investment, 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,	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax (note i)	**336**	395
PRC Enterprise Income Tax ("EIT") (note ii)	**6,649**	9,478
Overseas income tax (note iii)	**1,174**	857
Underprovision in prior year:		
PRC EIT	**-**	639
	8,159	11,369
Deferred tax (credit) charge	**(3,790)**	806
	4,369	12,175

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% (2011: 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 in 2012.

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.

(b) Pursuant to《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》(Caishui【2001】No. 202), 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 state-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 exceeded 70% of its total revenue in a fiscal year. Such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprise must be engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") 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) issued in 2011. The Directors of the Company consider that the relevant subsidiaries are engaged in the state-encouraged industries under the Catalogue and continue to enjoy the preferential tax rate of 15% in the current period.

(iii) Overseas

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

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. LOSS (PROFIT) FOR THE PERIOD

	For the six months ended March 31, 2012 US$'000 (unaudited)	For the six months ended March 31, 2011 US$'000 (unaudited)
Loss (profit) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16,483**	13,758
Release of prepaid lease payment	**319**	329
Amortisation of intangible assets (included in selling and distribution expenses)	**3,613**	2,837
Net exchange gain	**(999)**	(882)
Subsidies, rebates and other income from suppliers (included in other income and gains (losses))	**(12,408)**	(10,442)
(Reversal of) impairment loss recognised on trade receivables (included in other income and gains (losses))	**512**	(364)
Reversal of allowance for inventories (included in other income and gains (losses)) (note i)	**(1,718)**	(1,250)
Impairment losses of interests in an associate and jointly controlled entities (note ii)	**6,290**	2,000

notes:

(i) Certain of the write-down of inventories previously recognised was reversed during the period as evidenced by the subsequent sales of the relevant inventories.

(ii) During the six months ended March 31, 2012, the impairment losses of US$6,290,000 (six months ended March 31, 2011: US$2,000,000) were made in respect of the Group's interests in an associate and jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future. The recoverable amounts of the relevant entities were estimated by reference to their expected disposal proceeds from the joint venture partners of the relevant entities from their anticipated disposals less the Group's interests in those entities which the Group expected to dispose of after the end of the respective reporting periods.

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 (2011: nil).

7. (LOSS) EARNINGS PER SHARE

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

	For the six months ended March 31,	
	2012	2011
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings:		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(17,621)**	34,516

	For the six months ended March 31,	
	2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**4,262,552,581**	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 (loss) earnings per share	**4,262,552,581**	4,290,632,625

The computation of diluted loss per share for the six months ended March 31, 2012 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.

INTERIM RESULTS

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 US$26,265,000 (six months ended March 31, 2011: US$18,902,000), of which US$12,288,000 (six months ended March 31, 2011: US$3,641,000) was arising from the acquisition of subsidiaries and business (see Note 14).

9. DERIVATIVE FINANCIAL INSTRUMENTS

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Derivative financial assets, analysed for financial reporting purpose as non-current assets, comprise:		
Call options for acquisition of additional interests in subsidiaries, associates and jointly controlled entities	**5,834**	22,363

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 (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 other than those relating to Hebei Zhanxin Sports Development Company Limited ("Zhanxin") as at September 30, 2011, and Shaanxi Jixian Longyue Sports Goods Company Limited ("Jixian") as at March 31, 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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. The consideration is to be settled by the issue of shares in the Company at the average price during the same specified period and after deducting the Option Premium paid.

The value of each of the Call Options at March 31, 2012 was valued by Savills Valuation and Professional Services Limited, an independent valuer, using the Binomial Option Pricing Model.

In December 2011, the Group acquired the Relevant Equity Interests in Zhanxin through exercise of its Call Option. Accordingly, the carrying amount of the relevant Call Option was derecognised and included as cost of investment in Zhanxin.

During the current interim period, the Group also exercised its Call Option to acquire the Relevant Equity Interest in Jixian. However, this acquisition was not yet completed at March 31, 2012.

The fair value changes on derivative financial instruments during the current interim period is mainly attributable to the expectation of the management that certain Call Options would at no time during the remaining exercisable period be exercised to acquire the Relevant Equity Interests in a subsidiary, an associate and certain jointly controlled entities.

At March 31, 2012, an amount of US$1,963,000 (included in deposit paid for acquisition of the remaining interest in jointly controlled entities) represents the deposit paid for acquisition of the remaining 50% equity interest in Jixian not already held by the Group (i.e. the Relevant Equity Interest).

INTERIM RESULTS

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$151,568,000 (September 30, 2011: US$170,720,000) and an aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
0 to 30 days	**143,838**	165,904
31 to 90 days	**6,485**	2,869
Over 90 days	**1,245**	1,947
	151,568	170,720

11. ASSETS CLASSIFIED AS HELD FOR SALE

	At September 30, 2011 US$'000 (audited)
Amount comprises:	
Property, plant and equipment	33,812
Prepaid lease payments	3,356
	37,168

This represents the carrying amount of a shopping mall and related land use rights, the disposal of which was agreed prior to, but not completed as at, September 30, 2011.

The transaction was completed during the current period and a gain on disposal of the properties of US$4,685,000 was recognised in profit or loss for the current period.

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$118,503,000 (September 30, 2011: US$147,880,000) and an aged analysis presented based on the invoice date at the end of the reporting period is as follows:

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
0 to 30 days	**116,084**	145,627
31 to 90 days	**1,340**	1,231
Over 90 days	**1,079**	1,022
	118,503	147,880

Included in other payables at the end of the reporting period is an amount of US$77,265,000 (September 30, 2011: US$3,280,000) representing the consideration payable for the acquisition of subsidiaries and business during the current period. The details are set out in Note 14.

13. SHARE CAPITAL OF THE COMPANY

	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At October 1, 2010, March 31, 2011, September 30, 2011 and March 31, 2012	30,000,000,000	300,000
Issued and fully paid:		
At October 1, 2010 and March 31, 2011	4,290,495,163	42,905
Issue of shares upon acquisition of subsidiaries (note i)	6,330,000	63
At September 30, 2011	4,296,825,163	42,968
Repurchase of own shares (note ii)	(36,800,000)	(368)
At March 31, 2012	4,260,025,163	42,600

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. SHARE CAPITAL OF THE COMPANY (Continued)

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Shown in the condensed consolidated financial statements	**5,465**	5,513

notes:

(i) In October 2010, the Group completed the acquisition of the remaining 50% interest in Zhejiang Yichuan Sports Goods Chain Company Limited ("Yichuan") not already owned by the Group by agreeing to issue of a maximum of 33,990,000 ordinary shares of HK$0.01 each as part of the consideration, of which 6,330,000 ordinary shares were issued during the six months ended September 30, 2011.

(ii) During the six months ended March 31, 2012, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each repurchased	Price per share Highest price paid HK$	Price per share Lowest price paid HK$	Aggregate consideration paid HK$'000
October 2011	34,890,000	1.20	1.00	36,715
November 2011	1,910,000	1.19	1.00	2,187
	36,800,000			38,902

The aggregate consideration paid of HK$38,902,000 was equivalent to approximately US$5,018,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS

The Group acquired Zhanxin and the Pengda Business (as defined below) during the six months ended March 31, 2012 and acquired Yichuan during the six months ended March 31, 2011. The Group obtained control over these entities on the dates of completion of these acquisitions which have been accounted for using the purchase method. Further details of these acquisitions, including considerations paid or payable, assets acquired, liabilities recognised and goodwill arising, are set out below.

	notes	**2012**			2011
	(a)(b)(c)(k)		**Pengda**		
		Zhanxin	**Business**	**Total**	Yichuan
		US$'000	**US$'000**	**US$'000**	US$'000
The consideration for the acquisitions comprise the following:					
Cash consideration	(d)	**12,344**	**103,797**	**116,141**	25,501
Consideration shares	(e)	**-**	**-**	**-**	2,693
Consideration shares with trading restrictions	(f)	**-**	**3,412**	**3,412**	–
Fair value of guaranteed compensation	(g)	**-**	**18,410**	**18,410**	–
Contingently issuable shares	(h)	**-**	**-**	**-**	1,092
Related call options	(i)	**1,171**	**-**	**1,171**	8,060
Fair value of previously held interests	(j)	**6,959**	**-**	**6,959**	27,124
Total consideration		**20,474**	**125,619**	**146,093**	64,470

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

	notes	2012			2011
	(a)(b)(c)(k)		Pengda		
		Zhanxin	Business	Total	Yichuan
		US$'000	US$'000	US$'000	US$'000
Provisional fair value of assets acquired and liabilities recognised at the date of acquisitions are as follow:					
Property, plant and equipment		1,404	10,884	12,288	3,641
Deposit paid for acquisition of property, plant and equipment		-	-	-	480
Licensing agreements	(l)	9,911	-	9,911	–
Customer relationship	(l)	-	3,775	3,775	–
Non-compete agreement	(l)	3,889	19,716	23,605	4,569
Brandname	(l)	-	-	-	37,501
Inventories		12,060	55,516	67,576	38,335
Trade and other receivables	(m)	8,869	-	8,869	23,477
Bank balances and cash		2,176	-	2,176	1,531
Trade and other payables		(14,712)	-	(14,712)	(31,535)
Taxation payable		(56)	-	(56)	(638)
Bank borrowings		(7,383)	-	(7,383)	(16,978)
Deferred tax liabilities		(3,450)	(5,873)	(9,323)	(10,517)
		12,708	84,018	96,726	49,866
Goodwill arising on acquisitions	(n)	7,766	41,601	49,367	14,604
Cash flow arising on acquisitions:					
Cash consideration paid		(9,638)	(28,219)	(37,857)	–
Less: bank balances and cash acquired		2,176	-	2,176	1,531
Net cash (outflow) inflow		(7,462)	(28,219)	(35,681)	1,531
Acquisition-related costs	(o)	36	217	253	51

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes:

(a) Zhanxin 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 55% equity interest in Zhanxin not already held by the Group. Zhanxin was a jointly controlled entity of the Group before the completion of this transaction on December 1, 2011.

(b) On February 1, 2012, the Group completed the acquisition of a chain of retail stores in the PRC, including the related tangible and intangible assets, owned by Shanghai Pengda Sports Goods Company Limited and its related parties ("Pengda") (the "Pengda Business"), for the purpose of strengthening its market position and geographical coverage in the PRC sportswear retail market.

(c) 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. Yichuan was a jointly controlled entity of the Group before the completion of this transaction on October 1, 2010.

(d) For the cash consideration of US$12,344,000 for the acquisition of Zhanxin, (i) US$1,219,000 was paid as a deposit as at September 30, 2011, (ii) US$9,638,000 was paid during the current period and (iii) US$1,487,000 is payable before December 31, 2012. The net present value of the total cash consideration approximates to the amount of cash paid and payable for the acquisition.

For the cash consideration of US$103,797,000 for the acquisition of Pengda Business, (i) US$3,127,000 was paid as a deposit as at September 30, 2011, (ii) US$28,219,000 was paid during the current period and (iii) US$72,451,000 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.

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

For the cash consideration of US$25,501,000 for the acquisition of Yichuan, (i) US$19,223,000 was paid in prior years, (ii) US$3,139,000 was paid during the six months ended 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.

(e) This represents the agreement to issue 6,330,000 shares of HK$0.01 each in the Company in each of the 3 years ending September 30, 2013 (which in aggregate are 18,990,000 shares of HK$0.01 each in the Company). 6,330,000 shares were issued during the six month ended September 30, 2011 and the issue and allotment of the remaining 12,660,000 shares are to be completed on or before September 30, 2012 and September 30, 2013, respectively. The fair value of these consideration shares was 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.

(f) This represents 46,000,000 shares of HK$0.01 each in the Company which are to be issued on or before September 30, 2012 (the "Pengda Consideration Shares"). These shares, when issued, are to be placed in an escrow account and cannot be withdrawn within a period of 4 years without the Company's consent (the "Restricted Period"). The fair value of these consideration shares was determined by American Appraisal by applying a marketability discount to the closing share price of the Company as at February 1, 2012.

(g) Pursuant to the relevant agreements, the Group is to compensate Pengda for the shortfall, if any, between the market value of each Pengda Consideration Share and HK$4, such market value being the average closing price of the Company's shares in the 20 consecutive trading days immediately following the end of the Restricted Period. The fair value of such guaranteed compensation has been determined by American Appraisal using the Binominal Option Pricing Model with reference to the closing share price of the Company as at February 1, 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(h) For each of the three fiscal years ending September 30, 2013, if the audited annual after-tax profit of Yichuan is not less than RMB54,710,000 (equivalent to approximately US$8,400,000) (the "Pre-determined Profit 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 was 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.

The Pre-determined Profit Level of Yichuan for the year ended September 30, 2011 was not reached, and no contingently issuable shares were issued for that year.

(i) This represents the carrying value of the Group's Call Option relating to Zhanxin and Yichuan as at the date of acquisition.

(j) The fair value of the 45% equity interest in Zhanxin previously held by the Group was re-measured as of the date of acquisition at US$6,959,000 by American Appraisal, resulting in a gain of US$5,898,000 recognised in profit or loss during the six months ended March 31, 2012.

The fair value of the 50% equity interest in Yichuan previously held by the Group was 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 recognised in profit or loss during the six months ended March 31, 2011.

The above fair values at the respective dates of acquisitions were determined using the discounted cash flow approach and the guideline companies method approach. The significant inputs into the models include earning to price multiples of comparable companies (in terms of products, market, competition, growth rate and capital structure), premium on control and market liquidity of Zhanxin or Yichuan, as appropriate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(k) The initial accounting for the acquisitions of Zhanxin and Pengda Business have been determined provisionally for the property, plant and equipment and the inventories acquired as well as intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair values.

(l) Intangible assets, being licensing agreements, customer relationship, non-compete agreements and brandname, were valued as of the respective dates of acquisitions by American Appraisal, on the following basis:

Licensing agreements	The Excess Earnings method under the Income Approach
Customer relationship	The Excess Earnings method under the Income Approach
Non-compete agreement	The "With and Without" method under the Income Approach
Brandname	The Relief from Royalty method under the Income Approach

The management of the Group considers all of the licensing agreements, customer relationship and non-compete agreements have finite useful lives and are amortised on a straight-line basis over the following periods:

Licensing agreements	10 years
Customer relationship	8 years
Non-compete agreements	5 to 20 years

The brandname is considered 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 were determined using discount rates of 15% for Zhanxin, 16% for Pengda Business and 14% for Yichuan. 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 the acquirees and their subsidiaries and management's expectations for the market development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. ACQUISITION OF SUBSIDIARIES AND BUSINESS (Continued)

notes: (Continued)

(m) At the acquisition date, the gross contractual amount of the receivables acquired was equivalent to their fair value as it was expected that all amounts were fully collectible.

(n) Goodwill arose in each of the acquisition of Zhanxin, Pengda Business, and Yichuan because the respective consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies arising from revenue growth, future market development and the assembled workforce of the targets. 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.

(o) The acquisition-related costs of the above transactions, were recognised as an expense in the current and prior periods (included in administrative expenses) in the condensed consolidated income statement.

(p) Pro-forma revenue and profit

Included in the loss for the six months ended March 31, 2012 is profit of US$124,000 and loss of US$1,478,000 attributable to the additional businesses generated by Zhanxin and Pengda Business, respectively. Revenue for the six months ended March 31, 2012 includes US$18,847,000 and US$20,974,000 generated from Zhanxin and Pengda Business, respectively. Had the acquisitions been completed on October 1, 2011, total group revenue for the six months ended March 31, 2012 would have been US$901,360,000, and loss for the same period would have been US$16,906,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on October 1, 2011, nor is it intended to be a projection of future results.

The revenue and profit of Yichuan for the six months ended March 31, 2011 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 were consolidated in full in the condensed consolidated income statement.

INTERIM RESULTS

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.

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 and prior periods:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at October 1, 2010	Granted during the year	Lapsed/ cancelled during the year	Number of options outstanding at September 30, 2011	Granted during the period	Lapsed/ cancelled during the period	Number of options outstanding at March 31, 2012
Director/former 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	-	-	1,250,000
	20.1.2011	1.23	20.1.2013 - 19.1.2019	-	1,250,000	-	1,250,000	-	-	1,250,000
	20.1.2011	1.23	20.1.2014 - 19.1.2019	-	1,250,000	-	1,250,000	-	-	1,250,000
	20.1.2011	1.23	20.1.2015 - 19.1.2019	-	1,250,000	-	1,250,000	-	-	1,250,000
				3,800,000	5,000,000	-	8,800,000	-	-	8,800,000
Employees/consultants										
	21.1.2010	1.62	21.1.2011 - 20.1.2018	8,356,500	-	(1,821,750)	6,534,750	-	(157,500)	6,377,250
	21.1.2010	1.62	21.1.2012 - 20.1.2018	8,356,500	-	(1,821,750)	6,534,750	-	(157,500)	6,377,250
	21.1.2010	1.62	21.1.2013 - 20.1.2018	16,713,000	-	(3,643,500)	13,069,500	-	(315,000)	12,754,500
	21.1.2010	1.62	21.1.2014 - 20.1.2018	22,284,000	-	(4,858,000)	17,426,000	-	(420,000)	17,006,000
	20.1.2011	1.23	20.1.2012 - 19.1.2019	-	12,500,000	-	12,500,000	-	(962,500)	11,537,500
	20.1.2011	1.23	20.1.2013 - 19.1.2019	-	12,500,000	-	12,500,000	-	(962,500)	11,537,500
	20.1.2011	1.23	20.1.2014 - 19.1.2019	-	12,500,000	-	12,500,000	-	(962,500)	11,537,500
	20.1.2011	1.23	20.1.2015 - 19.1.2019	-	12,500,000	-	12,500,000	-	(962,500)	11,537,500
	07.3.2012	1.05	07.3.2013 - 06.3.2020	-	-	-	-	1,350,000	-	1,350,000
	07.3.2012	1.05	07.3.2014 - 06.3.2020	-	-	-	-	1,350,000	-	1,350,000
	07.3.2012	1.05	07.3.2015 - 06.3.2020	-	-	-	-	1,350,000	-	1,350,000
	07.3.2012	1.05	07.3.2016 - 06.3.2020	-	-	-	-	1,350,000	-	1,350,000
				55,710,000	50,000,000	(12,145,000)	93,565,000	5,400,000	(4,900,000)	94,065,000
Grand total				59,510,000	55,000,000	(12,145,000)	102,365,000	5,400,000	(4,900,000)	102,865,000
Exercisable as at October 1, 2010, September 30, 2011 and March 31, 2012				-			7,104,750			26,682,000

INTERIM RESULTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value of the share options granted on March 7, 2012 at the date of grant, determined using the Binomial Option Pricing Model (the "Model"), was HK$2,592,000 (equivalent to US$333,000). 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 to four years
Exercise price	HK$1.05
Grant date share price	HK$0.99
Expected life of share options	8 years
Expected volatility	45% per annum
Expected dividend yield	Nil
Risk free rates	1.08% per annum
Fair value per share option	HK$0.48

The closing price of the Company's shares immediately before the grant of the share options on March 7, 2012 was HK$0.99 per share.

The fair value of the share options granted on January 20, 2011 at the date of grant, determined using the Model, was HK$30,938,000 (equivalent to US$3,982,000). The closing price of the Company's shares immediately before the grant of the share options on January 20, 2011 was HK$1.28 per share.

Pursuant to a resolution passed in the Company's annual general meeting held on March 7, 2012, the Scheme was amended whereby any unexercised share options will not automatically lapse upon cessation of employment with the Group, subject to certain conditions. Such amendment is applicable retrospectively to the unexercised share options granted on January 21, 2010 and January 20, 2011 and resulted in an increase in fair value of such share options measured immediately before and after the modifications by HK$11,153,000 (equivalent to US$1,434,000), of which an amount of US$505,000 relating to share options already vested was recognised as an expense immediately and an amount of US$929,000 relating to share options not yet vested is to be amortised over the remaining vesting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

	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
Granted on January 21, 2010				
Exercise price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Grant date share price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Expected life of share options	5.88 years	5.88 years	5.88 years	5.88 years
Expected volatility	45% per annum	45% per annum	45% per annum	45% per annum
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rates	0.78% per annum	0.78% per annum	0.78% per annum	0.78%% per annum
Incremental fair value per share option	HK$0.14	HK$0.14	HK$0.12	HK$0.09
Granted on January 20, 2011				
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	6.87 years	6.87 years	6.87 years	6.87 years
Expected volatility	45% per annum	45% per annum	45% per annum	45% per annum
Expected dividend yield	Nil	Nil	Nil	Nil
Risk free rates	0.96% per annum	0.96% per annum	0.96% per annum	0.96% per annum
Incremental fair value per share option	HK$0.15	HK$0.12	HK$0.10	HK$0.08

During the six months ended March 31, 2012, the Group recognised an expense of US$1,381,000 (six months ended March 31, 2011: US$1,220,000) as equity-settled share-based payments in the condensed consolidated income statement with reference to their respective vesting periods, after taking into account the reversal of share option expenses of US$547,000 (six months ended March 31, 2011: US$111,000) in respect of those share options lapsed prior to their vesting dates and the effects of the amendments to the Scheme as set out above.

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, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	**7,533**	11,647
– amount utilised	**6,641**	9,899
(ii) a former subsidiary		
– amount guaranteed	**12,687**	12,507
– amount utilised	**12,687**	12,507

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. CONTINGENCIES AND COMMITMENTS (Continued)

(II) Commitments

	At March 31, 2012 US$'000 (unaudited)	At September 30, 2011 US$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of the remaining interests in jointly controlled entities	**11,121**	10,975
Other commitments contracted for but not provided in the condensed consolidated financial statements in respect of capital investment in jointly controlled entities	**1,649**	1,626
	12,770	12,601

17. EVENT AFTER THE REPORTING PERIOD

Pursuant to a resolution of the Board of Directors of the Company passed on May 30, 2012, the Company's financial year end date is changed from September 30 to December 31 in order to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in the PRC. Accordingly, the first financial period after the change is the 15-month period ending December 31, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Directors do not propose any interim dividend for the six months ended March 31, 2012.

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 at March 31, 2012, we had 3,596 directly operated retail outlets, and 2,436 retail sub-distributors, and our regional joint ventures' directly operated retail outlets and retail sub-distributors amounted to 894 and 814 respectively. The exclusive distributor contract of Converse's products in the PRC with Converse expired on December 31, 2011, which has affected the Group's retail wholesale business. The Group will develop Reebok and other brand licensee business in order to promote its retail business to fill the vacancy.

For our brand licensee business, to cope with the Group's future plan, we have early terminated respective brand licensee agreements in the Greater China with Wolverine and the PRC with Hush Puppies on April 30, 2012, respectively. At present, we still own exclusive brand licensee of Converse, Reebok and Hush Puppies in the other specific regions in the Greater China. 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 for products of the licensed brands in specified locations within the Greater China Region for a specified period of time. Moreover, the exclusive brand licensee agreement for Converse in Hong Kong, Macau and Taiwan and for Hush Puppies in Taiwan will expire on December 31, 2012. Currently, we are in negotiation with those brand companies to extend the term of the brand licensee agreement in Taiwan for another one year to December 31, 2013 for Converse and five years to 2017 for Hush Puppies, and expect to complete the relevant arrangement shortly.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding the joint venture business, the Group completed the acquisition of the remaining equity interests in Hebei Zhanxin and related Nike business on December 1, 2011, which has now become a wholly owned subsidiary of the Group, thereby obtaining the leading position in Hebei market. A series of integration work was immediately commenced. Considering the long-term plan to expand the Group's retail market, regional coverage and to diversify licensee brands, the Group will continue the integration work of business, financial management and system with several quality regional joint ventures, and may only decide to acquire the remaining equity interests of these regional joint ventures when the integration progress becomes mature under a favorable market condition.

FINANCIAL REVIEW

For the six months ended March 31, 2012, the Group recorded revenue of US$846.1 million and loss attributable to owners of the Company of US$17.6 million, representing an increase of 9.7% and a decrease of 151.1% respectively as compared with the same period of last year.

REVENUE

Our revenue increased by 9.7% to US$846.1 million for the six months ended March 31, 2012 as compared with the same period of last year. This increase was primarily due to the continuing growth in our retail business where the growth comprised factors in relation to the acquisition of Nike business of Hebei Zhanxin, a joint venture, and the successive recognition of acquired business of Pengda. Excluding such acquisitions, the Group's revenue for the current period would have been US$806.3 million, representing an increase of 4.5% on a year-on-year basis.

Retail Business

Revenue from our retail business increased by 12.6% to US$750.7 million as compared with the same period of last year. Although the exclusive distributor contract of Converse's products in the PRC with Converse expired on December 31, 2011, which has affected the Group's retail wholesale business, the revenue from retail business still recorded a double-digit increase as a result of the acquisitions and the natural growth of the retail business.

Brand Licensee Business

Revenue from our brand licensee business decreased by 3.6% to US$27.6 million as compared with the same period of last year, which was primarily due to the early termination of the respective brand licensee agreements with Wolverine and Hush Puppies in the Greater China and the PRC respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Manufacturing Business

Revenue growth from our manufacturing business decreased by 11% to US$67.8 million as compared with the same period of last year, which was attributable to the decrease of the orders from our major customers due to their inventories for end-customers. However, the average selling price remained stable during the period.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$256.7 million for the current period, representing an increase of 8.5% compared with last year. Gross profit margin was 30.3%, representing a decrease of 0.4 percentage point on a year-on-year basic.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses and administrative expenses of the Group increased to US$263.6 million, representing an increase of 23.6% as compared with the same period of last year. The percentage of such expenses to revenue increased by 3.5 percentage point year-on-year to 31.2%. The increase in such expenses was partly due to higher overall expenses as a result of the acquisitions and partly due to the undeveloped newly-opened shops, driven by additional staff salaries, rentals, inflation and other factors, resulting in operating cost continue to rise, in particular, staff cost, rentals and concession expenses. The Group intended to focus on control and improvement of the selling and administrative expenses in the second half year.

OPERATING PROFIT

The Group's operating profit during the period decreased to US$12 million, representing a decrease of 71.6% as compared with the same period of last year.

SHARE OF RESULTS OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Our share of results of associates and jointly controlled entities were loss of US$7.4 million for the period, this was mainly because (1) the base on which the Group shared the results of these joint ventures diminished during the current period after the acquisition and disposal of relevant joint ventures; and (2) since joint ventures were mostly the licensees of domestic brands, and the effectiveness associated with the channel expansion of some joint ventures slowed down, more efforts were made to reduce inventory and intensify price markdown, which affected the sales and gross profit, thus reducing the profit and resulting in the loss.

MANAGEMENT DISCUSSION AND ANALYSIS

GAIN ON DEEMED DISPOSAL OF JOINTLY CONTROLLED ENTITIES

During the period, a non-recurring gain of US$5.9 million on deemed disposal of a jointly controlled entity was recorded after completion of the acquisition of the remaining 55% equity interests in Hebei Zhanxin, as compared with the gain of US$18.8 million for the same period of last year, which was attributable to the acquisition of the remaining equity interests in another joint venture, Zhejiang Yichuan. Because of the different acquisition targets, gains are different.

IMPAIRMENT LOSSES OF INTERESTS IN AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

During the six months ended March 31, 2012, the impairment losses of US$6.3 million were made in respect of the Group's interests in an associate and jointly controlled entities based on the expected losses arising from the anticipated disposals in the foreseeable future.

FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

The fair value changes on derivative financial instruments during the current interim period loss of US$15.2 million, is mainly attributable to the expectation of the management that certain Call Options would at no time during the remaining exercisable period be exercised to acquire the Relevant Equity Interests in a subsidiary, an associate and certain jointly controlled entities.

(LOSS) PROFIT FOR THE PERIOD

As a results of the above factors, a loss for the six months ended March 31, 2012 was US$15.7 million, representing a decrease of 144% of profit against the profit of US$35.5 million for the same period of last year.

WORKING CAPITAL EFFICIENCY

The average inventory turnover days for the period were 148 days (2011: 109 days). The increase in the inventory turnover days for the period was partly due to stocking for newly-opened shops and the increase of inventories at the end of the period as a result of the asset acquisition of Pengda, and partly due to lower-than-expected sales for sportswear retail business for the first half year. The Group, however, has actively taken measures to clear stocks so as to adjust inventories and improve cash flows. The average trade receivables turnover days were 35 days (2011: 34 days), which 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 period were 41 days (2011: 39 days).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at March 31, 2012, the Group's cash and cash equivalents were US$154.6 million (September 30, 2011: US$172.7 million) and the working capital (current assets minus current liabilities) was US$412.5 million (September 30, 2011: US$444 million). Our total bank borrowings increased by 87% to US$314.5 million, from US$168.2 million as at September 30, 2011, all of which are repayable within one year and were denominated mainly in Renminbi, and cash and cash equivalents were mainly held in Renminbi as well. The Group's current ratio was 167.3%, (September 30, 2011: 198%). Gearing ratio (total borrowings divided by total assets) was 20.1% as at March 31, 2012 (September 30, 2011: 12%).

Because of higher inventory level and decreased in trade and other payables for the period as compared with the same period of last year, net cash used in operating activities for the period was US$78.4 million. The Group believes our liquidity requirement will be satisfied with a combination of capital generated from operating activities (for example, the on-going operation of Pengda's business and decrease of inventories) and bank borrowings in the future. Net cash used in investing activities was US$39 million, and capital expenditure used to purchase of property, plants and equipment was US$14 million. Net cash from financing activities was US$97.6 million. During the period, the Group had raised and repaid bank borrowings of US$203.8 million and US$96.1 million, respectively.

PLEDGED BANK DEPOSITS

The pledged bank deposits are placed with a bank for certain banking facilities granted to a former subsidiary of the Group. The pledged bank deposits will be released upon the settlement or termination of the relevant banking facilities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at March 31, 2012, the Group had capital commitments of US$11.1 million and US$1.7 million in respect of acquisition of the remaining interests in a jointly controlled entity and capital investment in jointly controlled entities. In addition, the Group had contingent liabilities of US$7.5 million and US$12.7 million in relation to guarantee given to banks in respect of banking facilities granted to jointly controlled entities and a former subsidiary, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2012, the Group had no significant hedges for the foreign exchange.

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company has been changed from September 30 to December 31 with effect from May 30, 2012 in order to coincide the financial year end date of the Company with its subsidiaries which are incorporated in the People's Republic of China, the financial results of which are statutorily required to be closed with the financial year end date of December 31.

PROSPECTS

Currently, statistics indications in different aspects show that the global economy is recovering slowly but is still restrained by various unstable factors, which is full of challenges. Concerns over inflation, imbalanced income in the community and the European debt crisis 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 environments of the sportswear industry that the Group operated in, the overheated expansion of the industry amid high-speed development in recent years and the lag effects resulted have led the players in the sports industry to the stage of continuous readjustment of business model and necessary reconstruction in order to adapt to macro and micro economic changes, which could bring about growth opportunities and risks at the same time. As such, in addition to our commitment to continuous growth to maintain our leading position in the market, we will focus more on increasing the productivity of existing stores and exploring new channels or models, for example multi-brand store, as our core growth driver. Moreover, after expansion, acquisition and integration for recent years, we are currently one of the most important worldwide retailers of Nike, Adidas and Converse. To maintain this advantage, we will prudently exploit the markets in the lower-tier cities and acquire and merge sub-distributors with weak operating capabilities in those cities to meet with the overall strategy of upgrading consumption in the lower-tier cities in the PRC and the expansion of sales channels of brand companies to lower-tier cities. As for higher-tier cities, while streamlining existing brands and channels, we will also intensify our integration with outdoor leisure brands, and enhance the trial of high-end differentiated channels and multi-brand channels such as Adidas Original, Adidas Outdoor, Nike Extreme and Nike Golf, to accommodate with the maturing consumers, affluent middle class and differentiating and personalised consumption demands in higher-tier cities.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the increase in health awareness, disposable income of consumers, sport awareness and participation, the Group remains optimistic about the mid- to long-term future of sports industry. We believe that the demand for functional sports and sports leisure will bring the second upsurge in the industry within next 5 to 10 years. From a short-term perspective, however, the prevailing economic consolidation period for the industry, slower consumption growth, increase in cost (such as labour cost and rentals), assimilation of brands, and higher density of outlets will cause keen price competition, which results in higher inventory level for retailers, such that this year will be a year of consolidation for sports products industry and thus the Group. Despite of this, there is a dramatic increase in concentration of retailers, which impels brand companies to re-allocate their resources to large-scale retailers and expedites new business models and generates a large number of business opportunities. Besides, due to higher rentals and labour cost in the matured sports markets such as Hong Kong/Taiwan, retailers have to make more turnover frequencies to obtain higher profit margin and investment return. It means that the underdeveloped market in Mainland China still has huge room for improving the prevailing operation conditions.

In the second half year, the Group will be committed to streamline and integrate its business after the expansion in scale. The focus of retail business will be changed to actively adjusting inventories and enhancing the standards of purchase and operation. We should precisely re-position stores, adjust product assortment and mixes and change pricing strategies by more meticulous market deployment, consumer group classification and shopping habits study. We anticipate that with the above efforts, the profitability of the Group will recover to normal level and thus improve.

For our brand licensee business, apart from sports brands, the Group will also identify opportunities among outdoor leisure brand business to grasp market trend and enrich its business portfolio in order to create beneficial foundation for future performance growth. Regarding the licensee business of Reebok brand, the short-term objectives of the Group are to increase brand strength, consolidate product lines and develop designed products which meet the consumers' needs in the PRC market, as well as to actively reform the retail stores of Reebok brand to improve the productivity per store. The mid-term objectives are to further expand its retail and distributing network and achieve economy of scale. The long-term objective is to form a business model with a maximised value chain which combines design, development and production.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the management of joint ventures, joint ventures are now generally under the stage of business restructure in view of their distributing brands and changes in the retail market conditions in the PRC. This resembles the previous adjustment process of the Group and takes time for improvement. The Group will continue to proactively review the respective business conditions of joint ventures in order to purify in every aspect and consolidate the companies with strategic deployment only when the conditions mature. At the same time, we will also dispose of the non-strategic joint ventures to ensure the profitability of the Group.

We believe that after the adjustment in 2012, the Group will be well positioned for next reform and upspring in the sports industry further with healthy and solid business foundation.

HUMAN RESOURCES

As at March 31, 2012, the Group had a total of 28,700 employees. The Group reviews the performance of its employees regularly, 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 them with annual bonus based on various performance criteria. In addition, we also provide other benefits, such as social insurance, mandatory retirement funds, medical coverage and training programs to employees based on their personal career development.

SHARE OPTION SCHEME

In order to provide intensive to eligible participants and the greater flexibility to the board of directors of the Company in the treatment of outstanding options held by the grantees in the event that they cease to become a participant, pursuant to a resolution approved on the annual general meeting of the Company held on March 7, 2012, the share option scheme was amended whereby any unexercised share options will not automatically lapse upon cessation of employment with the Group, subject to certain conditions. Such amendments are applicable retrospectively to the unexercised share options granted on January 20, 2010 and January 21, 2011.

On March 7, 2012, the Company granted to certain participants options under which the holders are entitled to subscribe for ordinary shares of HK$0.01 each in the share capital of the Company pursuant to the Amended Share Option Scheme at an exercise price of HK$1.05 per share. The number of shares exercisable and available for subscription pursuant to the options granted then was 5,400,000.

OTHER INFORMATION

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

As at March 31, 2012, 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 in shares

(a) The Company

		Number of ordinary shares					
Name of Director	Capacity	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	Percentage of the issued share capital of the Company
Tsai David, Nai Fung	Beneficial owner	4,833,000	-	-	-	4.833.000	0.11%
Tsai Patty, Pei Chun	Beneficial owner	4,460,000	-	-	-	4,460,000	0.10%
*Chang Karen Yi-Fen	Beneficial owner	**16,389,000	-	-	-	**16,389,000	0.38%

* Ms. Chang Karen Yi-Fen resigned as director of the Company with effect from April 9, 2012.

** 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

(b) *Associated Corporation – Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")*

Name of Director	Capacity	Number of ordinary shares: Personal Interest	Family Interest	Corporate Interest	Other Interest	Total	Percentage of the issued share capital of the Company
Tsai David, Nai Fung	Beneficiary of a trust	-	-	-	101,126,262	101,126,262	6.13%
Tsai Patty, Pei Chun	Beneficiary of a trust	-	-	-	101,126,262	101,126,262	6.13%

Save as disclosed above, none of the Directors or chief executive of the Company had, as at March 31, 2012 any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The Company recognises 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 a share option scheme (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.

In order to provide greater flexibility to the Board in the treatment of outstanding 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 "Amended Share Option Scheme") as approved by the shareholders of the Company and Yue Yuen. The terms are amended as that in the event a grantee of an option, who is an employee or a director of the Group, ceases to be a participant under the Share Option Scheme by any reason other than death or termination of his employment on grounds of summary dismissal, the Board may by written notice to such grantee within one month from (and including) the date of cessation or termination of such employment or directorship determine whether such option shall lapse or the period within which such option (or such remaining part thereof) shall be exercisable following such date of cessation or termination of employment or directorship but before the expiry of the original option period and if the Board does not serve such written notice within such one month period, the grantee may exercise the outstanding options up to his entitlement as at the time of such cessation or termination of employment or directorship (to the extent not already exercised) at anytime during the original option period.

OTHER INFORMATION

Pursuant to the Amended Share Option Scheme, 5,400,000 options were granted to eligible participants of the Group on March 7, 2012.

During the six months ended March 31, 2012, the Group recognised a total expense of US$1,381,000 as equity-settled share-based payments in relation to the options granted under the Amended Share Option Scheme.

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

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 01/10/2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31/03/2012
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
				8,800,000	-	-	-	8,800,000

OTHER INFORMATION

Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at 01/10/2011	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Number of options outstanding at 31/03/2012
Employees / Consultants							
21/01/2010	1.62	21/01/2011-20/01/2018	6,534,750	-	-	(157,500)	6,377,250
21/01/2010	1.62	21/01/2012-20/01/2018	6,534,750	-	-	(157,500)	6,377,250
21/01/2010	1.62	21/01/2013-20/01/2018	13,069,500	-	-	(315,000)	12,754,500
21/01/2010	1.62	21/01/2014-20/01/2018	17,426,000	-	-	(420,000)	17,006,000
20/01/2011	1.23	20/01/2012-19/01/2019	12,500,000	-	-	(962,500)	11,537,500
20/01/2011	1.23	20/01/2013-19/01/2019	12,500,000	-	-	(962,500)	11,537,500
20/01/2011	1.23	20/01/2014-19/01/2019	12,500,000	-	-	(962,500)	11,537,500
20/01/2011	1.23	20/01/2015-19/01/2019	12,500,000	-	-	(962,500)	11,537,500
07/03/2012	1.05	07/03/2013-06/03/2020	-	1,350,000	-	-	1,350,000
07/03/2012	1.05	07/03/2014-06/03/2020	-	1,350,000	-	-	1,350,000
07/03/2012	1.05	07/03/2015-06/03/2020	-	1,350,000	-	-	1,350,000
07/03/2012	1.05	07/03/2016-06/03/2020	-	1,350,000	-	-	1,350,000
			93,565,000	5,400,000	-	(4,900,000)	94,065,000
Grand total			102,365,000	5,400,000	-	(4,900,000)	102,865,000

* Ms. Chang Karen Yi-Fen resigned as director of the Company with effect from April 9, 2012.

** The relevant options lapsed on April 9, 2012.

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

OTHER INFORMATION

The closing price immediately before the date of which the options were granted during the period was HK$0.99 and the fair value, vesting schedule, exercisable period of the options are as follows:

Vesting period	Exercisable period	Percentage vesting	Fair value (per option) HK$
07/03/2012 to 06/03/2013	07/03/2013 to 06/03/2020	25% of options granted	0.48
07/03/2012 to 06/03/2014	07/03/2014 to 06/03/2020	25% of options granted	0.48
07/03/2012 to 06/03/2015	07/03/2015 to 06/03/2020	25% of options granted	0.48
07/03/2012 to 06/03/2016	07/03/2016 to 06/03/2020	25% of options granted	0.48

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.

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 March 7, 2012
Date of grant (measurement date)	March 7, 2012
Closing price on the date of grant	HK$0.99
Exercise price per share	HK$1.05
Annual expected volatility	45%
Expected life of the option	8 years
Annual risk free rate	1.08%
Expected dividend yield	NIL

The risk free rate is assumed to be equaled to the yield of Hong Kong Exchange government bonds over the exercisable period near the grant date.

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

OTHER INFORMATION

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 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, 2011 to March 31, 2012 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at March 31, 2012, 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	56.53%
Wealthplus Holdings Limited ("Wealthplus")	b	Interest of a controlled corporation	2,408,344,622	56.53%
Yue Yuen	a, b	Interest of a controlled corporation	2,408,344,622	56.53%
Pou Chen Corporation ("PCC")	b	Interest of a controlled corporation	2,408,344,622	56.53%
Jollyard Investments Limited ("Jollyard")	c	Beneficial owner	216,945,000	5.09%
Sitori Trading Limited ("Sitori Trading")	c	Interest of a controlled corporation	216,945,000	5.09%
Shih Ching-I	c	Interest of a controlled corporation	216,945,000	5.09%
Allianz SE	d, e	Interest of a controlled corporation	215,135,000	5.05%

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 more than one third 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.

e. On May 23, 2012, Allianz SE holds an interest less than 5% of the issued share capital of the Company.

Save as disclosed above, as at March 31, 2012, 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 RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

On December 29, 2011, the Board has established a nomination committee comprising Mr. Tsai David, Nai Fung, Mr. Chen Huan-Chung and Mr. Chang Li Hsien, Leslie; and Mr. Tsai David, Nai Fung has been appointed as the chairman of the Nomination Committee.

Pursuant to the supplemental appointment letter dated December 29, 2011, the director fee of Mr. Chen Huan-Chung, an independent non-executive director of the Company, was revised from HK$250,000 per annum to HK$300,000 per annum.

Pursuant to the supplemental appointment letter dated March 31, 2012, Ms. Kuo, Li-Lien ("Ms. Kuo"), a non-executive director of the Company, was appointed for a period of another three years from March 31, 2012. On April 9, 2012, Ms. Kuo was also appointed secretary in place of Ms. Chang Karen Yi-Fen ("Ms. Chang") of various Hong Kong subsidiaries and was appointed directors of the following subsidiaries incorporated in the British Virgin Islands:

1. Diodite Limited
2. Wealthy Chain Investments Limited
3. Winning Team Holdings Limited

On April 9, 2012, Ms. Chang resigned as Chief Executive Officer and Executive Director of the Company and Mr. Wu, Pan-Tsu ("Mr. Wu") was appointed as Acting Chief Executive Officer and Executive Director of the Company.

OTHER INFORMATION

Ms. Chang resigned as directors and secretary of the subsidiaries and a jointly controlled entity of the Company and Mr. Wu was appointed directors of the following subsidiaries and a jointly controlled entity of the Company:

Companies incorporated in Hong Kong

1. Brightup Group Limited
2. Diodite (Hong Kong) Limited
3. Favour Mark Holdings Limited
4. Gorgeous Time Limited
5. Hillside Investments Limited
6. Nice Palace Investments Limited
7. Pou Sheng International Sports Development Company Limited
8. Rainbow Faith Investments Limited
9. Shengdao (Hong Kong) Limited
10. Sky Grace Investments Limited
11. Yue Ming International Limited

Companies incorporated in the British Virgin Islands

1. A-Grade Holdings Limited
2. Dedicated Group Limited
3. Diodite Limited
4. Dragonlight Group Limited
5. Nice Well Investments Limited
6. Profit Concept Group Limited
7. Richwin Management Limited
8. Selangor Gold Limited
9. Technico Business Group Limited
10. Treasure Chain International Limited
11. Wealthy Chain Investments Limited
12. Wellmax Business Group Limited
13. Winning Team Holdings Limited
14. YY Sports Holdings Limited

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended March 31, 2012, the Company repurchased 36,800,000 (six months ended March 31, 2011: Nil) its own shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration paid (including direct costs) HK$
October 2011	34,890,000	1.20	1.00	36,715,000
November 2011	1,910,000	1.19	1.00	2,187,000
				38,902,000

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 March 31, 2012 was effected by the directors, 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 Group.

Save as disclosed herein, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the six months ended March 31, 2012.

OTHER INFORMATION

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDER

The Company is a party to certain bank facilities that include conditions specifying the minimum equity interest of the Company to be held, directly or indirectly, by Yue Yuen, the controlling shareholder of the Company and any breach of such obligation will cause a default in respect of the facilities. Disclosures pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules in respect of the relevant loans are as follows:-

	Aggregate level of the facility granted that maybe affected by such breach US$'000	**Borrowing under such facilities as at March 31, 2012** US$'000	**Life of the facility**	**Specific performance obligation**
Loan I	20,000	9,500	No specific term	The Company remains a subsidiary of Yue Yuen
Loan II	30,000	14,997	Facility ends on September 7, 2012	The Company must ensure that it remains controlled by Yue Yuen
		24,497		

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, 2012.

OTHER INFORMATION

The external auditor has reviewed the interim financial information for the six months ended March 31, 2012 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, 2012, 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 Listing Rules.

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, 2012.

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; Mr. Wu, Pan-Tsu is the Acting 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 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 30, 2012

Website: www.pousheng.com