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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

ANNOUNCEMENT

CONNECTED TRANSACTION

**TRANSFER OF 100% EQUITY INTEREST IN
THE TARGET COMPANIES
AND
TRANSFER OF THE EQUIPMENT**

On 16 December 2013, Brightup Group, an indirect wholly-owned subsidiary of Pou Sheng, entered into the Equity Transfer Agreement with Madi Avenue, an indirect wholly-owned subsidiary of Yue Yuen, pursuant to which Brightup Group has agreed to sell and Madi Avenue has agreed to purchase 100% equity interest in each of the Target Companies (being indirect wholly-owned subsidiaries of Pou Sheng) at an aggregate consideration of RMB33,399,700 (equivalent to approximately HK\$42,651,417), subject to adjustments.

On the same date, Brightup Group also entered into the Equipment Transfer Agreement with MCo, an indirect wholly-owned subsidiary of Yue Yuen, pursuant to which Brightup Group has agreed to procure its relevant wholly-owned subsidiaries to sell, and MCo has agreed to purchase, the Equipment at an aggregate consideration of RMB29,466,598 (equivalent to approximately HK\$37,628,846).

Yue Yuen is a controlling shareholder of Pou Sheng holding 3,295,923,560 shares in Pou Sheng (representing approximately 61.27% of the issued share capital of Pou Sheng) as at the date of this announcement and is therefore a connected person of Pou Sheng. Each of Madi Avenue and MCo, being associates of Yue Yuen, are also connected persons of Pou Sheng under the Listing Rules. Therefore, the Transactions constitute connected transactions for Pou Sheng under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Transactions, when aggregated with the connected transactions in relation to processing agreements between Pou Sheng Group and Yue Yuen Group within the past 12 months (including those announced by Pou Sheng on 26 March 2013 and 27 June 2013), are more than 0.1% but less than 5%, the Transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date

16 December 2013

Parties

- (1) Brightup Group, as seller
- (2) Madi Avenue, as purchaser

Subject Matter

100% equity interest in each of the Target Companies

Equity Consideration

The Equity Consideration shall be RMB33,399,700 (equivalent to approximately HK\$42,651,417).

The Equity Consideration is subject to adjustments by reference to the Net Asset Value. If such Net Asset Value is larger than the Equity Consideration, Madi Avenue shall pay the amount of such difference to Brightup Group, and vice versa. The Equity Consideration (as adjusted where applicable) will be paid within 5 business days after delivery of the Completion Accounts, which is expected to be delivered around one month from completion of the Equity Transfer.

The Equity Consideration was determined after arm's length negotiation between Brightup Group and Madi Avenue with reference to the net asset value of the Target Companies as at 30 November 2013.

Completion

Completion of the Equity Transfer shall take place on 1 January 2014 (or such other date as Brightup Group and Madi Avenue may agree in writing).

Upon completion of the Equity Transfer, Pou Sheng will cease to have any interest and control, directly or indirectly, in the Target Companies, and the Target Companies will become indirect wholly-owned subsidiaries of Yue Yuen.

Any sums owing by the Target Companies to Pou Sheng Group (including any loan or accounts payable) that remain outstanding following completion of the Equity Transfer (which amount is expected to be minimal) shall be repaid by the Target Companies as soon as possible. In any case, the total amount of such outstanding sums will not be so material as to result in any of the applicable percentage ratios in respect of the Transactions when aggregated with the connected transactions in relation to processing agreements between Pou Sheng Group and Yue Yuen Group within the past 12 months (including those announced by Pou Sheng on 26 March 2013 and 27 June 2013) exceeding 5%. Pou Sheng will comply with the requisite requirements under the Listing Rules as required.

THE EQUIPMENT TRANSFER AGREEMENT

Date

16 December 2013

Parties

- (1) Brightup Group, as seller
- (2) MCo, as purchaser

Subject Matter

The Equipment are owned by wholly-owned subsidiaries of Brightup Group. Brightup Group shall procure its relevant wholly-owned subsidiaries to sell the Equipment to MCo.

Equipment Consideration

The Equipment Consideration shall be RMB29,466,598 (equivalent to approximately HK\$37,628,846), which shall be paid by MCo at the relevant delivery dates of the Equipment Transfer as detailed in the section headed “Deliveries and payments” below.

The Equipment Consideration was determined after arm’s length negotiation between Brightup Group and MCo with reference to the value of the Equipment as appraised by an independent valuer engaged by Pou Sheng in the amount of RMB29,466,598 (equivalent to approximately HK\$37,628,846).

Deliveries and payments

Delivery of each of the Equipment can take place on different dates and at different locations, and shall take place on such date and at such location as specified in the written notice to be given by MCo to Brightup Group in accordance with the terms and conditions of the Equipment Transfer Agreement, provided that (i) the delivery date of the relevant Equipment shall be no less than 10 business days after the date of receipt of the aforesaid notice by Brightup Group or such other date as Brightup Group and MCo may agree in writing; and (ii) the delivery date of the relevant Equipment shall not be later than 2 years after the date of the Equipment Transfer Agreement.

Upon delivery of the relevant Equipment, MCo shall promptly pay to Brightup Group the relevant part of the Equipment Consideration for the Equipment delivered to it. In the event that no written notice is given by MCo to Brightup Group in respect of an Equipment 2 years after the date of the Equipment Transfer Agreement, such Equipment shall be deemed to have been delivered by Brightup Group to MCo and MCo shall be required to pay to Brightup Group the balance of any outstanding Equipment Consideration for such Equipment (if any) on the business day immediately following the expiry of such 2 year period.

Transfer of title and interim arrangement

Notwithstanding that the delivery of the relevant Equipment and the relevant payment will only take place on the relevant delivery date, Brightup Group and MCo agree that all the rights, benefits, obligations, risks and responsibilities associated with all the Equipment shall pass to MCo, and MCo shall take over the control of all the Equipment, with effect from the date of the Equipment Transfer Agreement.

Brightup Group and its subsidiaries may continue to use the Equipment during the 60-day period from the date of the Equipment Transfer Agreement on normal commercial terms for the purpose of completing certain outstanding orders, which will constitute a continuing connected transaction exempt from the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON TARGET COMPANIES AND THE EQUIPMENT

Huai Bin

Huai Bin is an indirect wholly-owned subsidiary of Pou Sheng. Its principal business activities are production and sale of footwear components.

As at 30 November 2013, the unaudited net asset value of Huai Bin was approximately RMB14,670,847 (equivalent to approximately HK\$18,734,672).

For each of the two financial years ended 31 December 2012, the audited net profit (both before and after taxation) of Huai Bin as shown on the PRC audit report prepared under the Accounting Standards for Business Enterprises of China were as follows:

audited net profit before taxation		audited net profit after taxation	
2011	2012	2011	2012
approximately RMB5,055,073 (equivalent to approximately HK\$6,455,328)	approximately RMB2,505,660 (equivalent to approximately HK\$3,199,728)	approximately RMB3,791,305 (equivalent to approximately HK\$4,841,496)	approximately RMB1,878,483 (equivalent to approximately HK\$2,398,823)

Zhong Xiang

Zhong Xiang was incorporated in July 2012 and is an indirect wholly-owned subsidiary of Pou Sheng. Its principal business activities are manufacturing and sale of OEM footwear products for the Li Ning brand.

As at 30 November 2013, the unaudited net asset value of Zhong Xiang was approximately RMB18,728,853 (equivalent to approximately HK\$23,916,745).

For the financial year ended 31 December 2012, the audited net loss (both before and after taxation) of Zhong Xiang as shown on the PRC audit report prepared under the Accounting Standards for Business Enterprises of China were as follows:

audited net loss before taxation	audited net loss after taxation
approximately RMB2,937,948 (equivalent to approximately HK\$3,751,760)	approximately RMB2,937,948 (equivalent to approximately HK\$3,751,760)

The Equipment

The Equipment to be sold by the relevant wholly-owned subsidiaries of Brightup Group to MCo under the Equipment Transfer Agreement are primarily manufacturing equipment for footwear production, including but not limited to plastic injection machines, cutting machines, computer stitching machines, compressing machines, cleaning machines and auto position-setting and pressing machines.

Certain Equipment was purchased by Pou Sheng Group within the 12-month period prior to the date of the Equipment Transfer Agreement at a total cost of RMB82,334 (equivalent to approximately HK\$105,141).

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As set out in the joint announcement of Yue Yuen and Pou Sheng of 14 May 2013 in relation to the non-renewal of the business separation deed dated 23 May 2008 made between them, the contribution to income from the OEM footwear manufacturing business of Pou Sheng Group was relatively small, and the performance of such business for Pou Sheng Group has not been as positive as the management of Pou Sheng Group had anticipated. In view of this, the management of Pou Sheng Group intends to adopt measures to streamline Pou Sheng Group's footwear manufacturing business.

In light of the above reasons and after careful consideration, the directors of Pou Sheng believe that the best way to streamline Pou Sheng Group's footwear manufacturing business would be to dispose of such business by way of entering into the Transactions with Yue Yuen Group, so that Pou Sheng Group could place greater focus on its footwear retailing and distribution business in the future.

In respect of the Equity Transfer, notwithstanding that the Equity Consideration (before any adjustments) will not be paid simultaneously with the completion of the Equity Transfer, having considered the structure of the Transactions taken as a whole, the minimal risk of non-payment by Madi Avenue and the savings in transaction cost of Pou Sheng Group in settling the Equity Consideration once instead of twice (in the event that adjustments are required), the directors of Pou Sheng believe that such arrangement is reasonable and acceptable from a commercial perspective.

In respect of the Equipment Transfer, the directors of Pou Sheng consider that even though the Equipment Consideration will only be received by Pou Sheng Group upon delivery of the relevant Equipment to MCo, it would still be beneficial to Pou Sheng Group to transfer the risks and titles of the Equipment to MCo on the date of the Equipment Transfer Agreement such that Pou Sheng Group could minimise the maintenance costs associated with the Equipment.

The directors (including the independent non-executive directors) of Pou Sheng consider that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of Pou Sheng and its shareholders as a whole.

Ms. Tsai Patty, Pei Chun and Mr. Li I-nan, who are directors of both Pou Sheng and Yue Yuen, are considered to have a material interest in the Transactions by virtue of their directorship with Yue Yuen and have abstained from voting on the relevant resolutions approving the Transactions, the Equity Transfer Agreement and the Equipment Transfer Agreement at the relevant board meeting of Pou Sheng. Mr. Tsai David, Nai Fung, a director of Pou Sheng, is deemed under the SFO to be interested in 101,126,262 shares in Yue Yuen, representing approximately 6.13% of the total issued share capital of Yue Yuen as at the date of this announcement. Mr. Tsai David, Nai Fung is hence also considered to have a material interest in the Transactions and had abstained from voting on the relevant resolutions approving the Transactions, the Equity Transfer Agreement and the Equipment Transfer Agreement at the relevant board meeting of Pou Sheng. Other than Ms. Tsai Patty, Pei Chun, Mr. Li I-nan and Mr. Tsai David, Nai Fung, none of the directors of Pou Sheng has a material interest in the Transactions or is required to abstain from voting on the relevant resolutions approving the Transactions, the Equity Transfer Agreement and the Equipment Transfer Agreement at the relevant board meeting of Pou Sheng.

Pou Sheng Group expects to record a loss of RMB19,517,731 (equivalent to approximately HK\$24,924,142) from the Transactions, being the difference between (i) the sum of the Equity Consideration and the Equipment Consideration and (ii) the sum of the Net Asset Value, the carrying value of the Equipment, and costs and expenses associated with the Transactions. In addition, Pou Sheng Group may or may not record additional impairment loss on the remaining equipment depending on the future options available to Pou Sheng Group in respect of such equipment following completion of the Equipment Transfer. Pou Sheng Group intends to apply the proceeds from the Transactions towards the general working capital of the Pou Sheng Group.

GENERAL

Yue Yuen is an investment holding company. The principal activities of Yue Yuen Group are investment holding and the manufacturing and sale of athletic footwear, casual and outdoor footwear.

Madi Avenue is an indirect wholly-owned subsidiary of Yue Yuen. The principal business activity of Madi Avenue is investment holding.

MCo is an indirect wholly-owned subsidiary of Yue Yuen. Its principal business activities are manufacturing and sale of footwear in the PRC.

Pou Sheng is an investment holding company and a subsidiary of Yue Yuen. The principal activities of Pou Sheng Group are retailing of sportswear and footwear products and distribution of licensed sportswear and footwear products.

Brightup Group is an indirect wholly-owned subsidiary of Pou Sheng. The principal business activity of Brightup Group is investment holding.

LISTING RULES IMPLICATIONS

Yue Yuen is a controlling shareholder of Pou Sheng holding 3,295,923,560 shares in Pou Sheng (representing approximately 61.27% of the issued share capital of Pou Sheng) as at the date of this announcement and is therefore a connected person of Pou Sheng. Each of Madi Avenue and MCo, being associates of Yue Yuen, are also connected persons of Pou Sheng under the Listing Rules. Therefore, the Transactions constitute connected transactions for Pou Sheng under Chapter 14A of the Listing Rules.

For Pou Sheng, since the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Transactions, when aggregated with the connected transactions in relation to processing agreements between Pou Sheng Group and Yue Yuen Group within the past 12 months (including those announced by Pou Sheng on 26 March 2013 and 27 June 2013), are more than 0.1% but less than 5%, the Transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

Pou Sheng expects that the adjustment in the Equity Consideration will not be significant, and that such adjustment is unlikely to be so material that the applicable percentage ratios under the Listing Rules in respect of the Transactions, when aggregated with the transactions in relation to processing agreements between Pou Sheng Group and Yue Yuen Group within the past 12 months (including those announced by Pou Sheng on 26 March 2013 and 27 June 2013), would be more than 5%. If there is any material adjustment to the Equity Consideration, Pou Sheng will re-comply with applicable requirements under Chapter 14 and 14A of the Listing Rules as and when required.

This announcement is also made pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under the SFO.

Shareholders of Pou Sheng and potential investors should exercise caution when dealing in or investing in the securities of Pou Sheng.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Brightup Group”	Brightup Group Limited (澤宏集團有限公司), a company established in Hong Kong and an indirect wholly-owned subsidiary of Pou Sheng
“Completion Accounts”	the accounts of each of the Target Companies as at the day immediately prior to the date of completion of the Equity Transfer to be delivered by Brightup Group to Madi Avenue pursuant to the terms of the Equity Transfer Agreement
“connected person”; “controlling shareholder”; “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Equipment”	the equipment, machinery and assets owned by wholly-owned subsidiaries of Brightup Group for their footwear manufacturing business which are subject matters of the Equipment Transfer Agreement
“Equipment Consideration”	the consideration to be paid by MCo to Brightup Group for the Equipment Transfer under the Equipment Transfer Agreement
“Equipment Transfer”	the transfer of the Equipment from the relevant wholly-owned subsidiaries of Brightup Group to MCo pursuant to the terms of the Equipment Transfer Agreement
“Equipment Transfer Agreement”	the equipment sale and purchase agreement dated 16 December 2013 entered into between Brightup Group (as seller) and MCo (as purchaser) in respect of the Equipment Transfer

“Equity Consideration”	the consideration to be paid by Madi Avenue to Brightup Group for the Equity Transfer pursuant to the Equity Transfer Agreement
“Equity Transfer”	the transfer of 100% equity interest in each of the Target Companies from Brightup Group to Madi Avenue pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity sale and purchase agreement dated 16 December 2013 entered into between Brightup Group (as seller) and Madi Avenue (as purchaser) in respect of the Equity Transfer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huai Bin”	淮濱裕盛體育用品有限公司 (Huaibin Yu-Shen Sporting Goods., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Pou Sheng
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MCo”	Idea (Macao Commercial Offshore) Limited (意式 (澳門離岸商業服務) 有限公司), a company established in the Macao Special Administrative Region of the PRC and an indirect wholly-owned subsidiary of Yue Yuen
“Madi Avenue”	Madi Avenue Limited (宗暉有限公司), a company established in Hong Kong and an indirect wholly-owned subsidiary of Yue Yuen
“Net Asset Value”	the aggregate net asset value of the Target Companies pursuant to the Completion Accounts
“OEM”	original equipment manufacturing, whereby products are manufactured, in whole or in part, in accordance with the designs of the customer and are marketed under the customer’s brand name
“Pou Sheng”	Pou Sheng International (Holdings) Limited (寶勝國際 (控股) 有限公司), a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 3813
“Pou Sheng Group”	Pou Sheng and its subsidiaries

“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Huai Bin and Zhong Xiang
“Transactions”	collectively, the Equity Transfer and the Equipment Transfer
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited (裕元工業(集團)有限公司*), a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 551
“Yue Yuen Group”	Yue Yuen and its subsidiaries (excluding Pou Sheng Group)
“Zhong Xiang”	鍾祥裕盛體育用品有限公司(Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Pou Sheng
“%”	per cent.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.277. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rate or at any other rates at all.

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, 16 December 2013

* *For identification purposes only*

As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and Non-executive Director; Mr. Kwan, Heh-Der is the Chief Executive Officer and Executive Director; Mr. Wu, Pan-Tsu is the Executive Director; Ms. Tsai Patty, Pei Chun and Mr. Li I-nan are the Non-executive Directors; and Mr. Chen Huan-Chung, Mr. Chang Li Hsien, Leslie and Mr. Hsieh, Wuei-Jung are the Independent Non-executive Directors.

Websites: www.pousheng.com