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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
ACQUISITION OF ASSETS**

On 13 January 2012, PS Investment, the Owners and the Selling Company entered into the Acquisition Framework Agreement which sets out the terms and conditions for the sale of the Target Assets by the Selling Company and the purchase of the Target Assets by PS Investment.

The Consideration for the Target Assets is RMB400,800,000 (equivalent to approximately HK\$493,500,000), representing the book value of the Target Assets as at 30 September 2011, subject to adjustment, which shall be payable by PS Investment in the following manner:

- (a) as to 15% of the Consideration within 7 days upon execution of the Acquisition Framework Agreement, which is inclusive of the Deposit; and
- (b) as to the balance within 10 working days after PS Investment and the Selling Company have signed a list of deliverable assets, subject to fulfilment or waiver by PS Investment of the conditions precedent under the Acquisition Framework Agreement or acceptance of an alternative proposal and taking into account of the amount and progress of invoicing as agreed between PS Investment and the Selling Company.

Pursuant to the Acquisition Framework Agreement, the Consideration shall be adjusted according to the results of the stock-taking on the Target Assets to be conducted jointly by PS Investment and the Selling Company on the Transfer Date, taking into account of, inter alia, the value of the inventories of Adidas (excluding Adidas Originals), Nike, Reebok, Puma, Converse and Umbro held by the Selling Company as at the Transfer Date, the operating expenses payable by the Selling Company prior to the Transfer Date and the amount of loss (if any) suffered by the non-defaulting party in the event of breaches of any covenants under the Acquisition Framework Agreement during the Transition Period.

As compensation for loss of business opportunity and the restrictive covenants given by the Owners under the Business Opportunity Compensation Deed, the Company has agreed to provide Cash Compensation and issue and allot Compensation Shares to the Owners (or their designated persons) within 10 days of completion of the Transfer Agreements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Owners, the Selling Company and its ultimate beneficial owners, is third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

The Compensation Shares will be issued and allotted, credited as fully paid, under the Existing Mandate. Application will be made to the Stock Exchange for the listing and permission to deal in the Compensation Shares.

As the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are 5% or more but less than 25%, the entering into of the Acquisition Framework Agreement and the Business Opportunity Compensation Deed constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

## **ACQUISITION FRAMEWORK AGREEMENT**

On 13 January 2012, PS Investment, the Owners and the Selling Company entered into the Acquisition Framework Agreement which sets out the terms and conditions for the sale of the Target Assets by the Selling Company and the purchase of the Target Assets by PS Investment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Owners, the Selling Company and its ultimate beneficial owners, is third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

### **Assets to be acquired**

Pursuant to the Acquisition Framework Agreement, PS Investment will, through the Acquisition Vehicle, acquire the business and assets relating to the sportswear retailing business in the PRC owned by the Selling Company or its related parties as at the Transfer Date including shop assets (including but not limited to inventories of Adidas (excluding Adidas Originals), Nike, Reebok, Puma, Converse and Umbro, furnishings and fittings), business contracts to which the Selling Company is a party and which will be renewed and proposed to be entered into by PS Investment or the Acquisition Vehicle, liabilities under the stored value cards, vouchers and membership cards issued by the Selling Company, accounts maintained with the banks and financial institutions for the operation of the Target Assets, records (including but not limited to customer and supplier lists), designated personnel, prepayment of rent and taxes in connection with the operation of Target Assets after the Transfer Date made by the Selling Company to the relevant contractual parties and the government authorities, and all the rights attached to the Target Assets. Further, the Selling Company has agreed to grant a licence to PS Investment to use the intellectual property rights relating to its inventory system as specified in the Acquisition Framework Agreement for nil consideration during the period between the Transfer Date and the date on which the inventory system of the Selling Company has migrated to that of PS Investment.

The Acquisition Vehicle will enter into the Asset Transfer Agreements with the Selling Company or its related parties within 60 working days from the execution of the Acquisition Framework Agreement.

### **Conditions precedent**

Completion of the Acquisition Framework Agreement is conditional upon:

- (a) in relation to the transfer of the Target Assets, PS Investment and the Selling Company having obtained approval from its shareholders or operators, PS Investment having obtained approval from the Shareholders or the Board of the Company;
- (b) no material adverse change having occurred in relation to the Target Assets which could affect the transactions contemplated under the Acquisition Framework Agreement;
- (c) the Acquisition Framework Agreement having been executed;
- (d) the representations and warranties given under the Acquisition Framework Agreement remaining true, accurate and complete;

- (e) the Selling Company having issued a formal invoice in respect of the first instalment of the Consideration;
- (f) all necessary written consents from the lending bank and the contractual parties as agreed between PS Investment and the Selling Company in relation to the transfer of the Target Assets to PS Investment or the acquisition of the rights and interests in the Target Assets by PS Investment in accordance with the Acquisition Framework Agreement having been obtained by the Selling Company pursuant to applicable laws and contractual provisions;
- (g) PS Investment and/or the Acquisition Vehicle having entered into the Asset Transfer Agreements with the Selling Company or its related parties;
- (h) the employment contracts between the Selling Company and the designated personnel having been terminated according to applicable law and the designated personnel having agreed to join PS Investment on the Transfer Date and having entered into new employment contracts with PS Investment;
- (i) no breach of material covenants during the Transition Period having occurred and all arrangements in respect of the Transition Period having been implemented;
- (j) the Owners and the Selling Company having delivered the Target Assets to PS Investment pursuant to the Acquisition Framework Agreement and the Asset Transfer Agreements and signed the list of deliverable assets;
- (k) necessary consents from the other parties to the business contracts having been obtained by PS Investment, or PS Investment having operated the Target Assets in the name of the Selling Company during the Transition Period but with the right to own and dispose of the Target Assets;
- (l) all works to be done by the Owners and the Selling Company during the period between the Transfer Date and the date of Completion having been completed and all conditions to Completion having been satisfied unless otherwise agreed between PS Investment, the Owners and the Selling Company; and
- (m) the Selling Company having issued a formal invoice in respect of the Consideration to PS Investment.

## **Consideration**

The Consideration for the Target Assets is RMB400,800,000 (equivalent to approximately HK\$493,500,000), representing the book value of the Target Assets as at 30 September 2011, subject to adjustment as described below, which shall be payable by PS Investment in the following manner:

- (a) as to 15% of the Consideration within 7 days upon execution of the Acquisition Framework Agreement, which is inclusive of the Deposit; and
- (b) as to the balance within 10 working days after PS Investment and the Selling Company have signed a list of deliverable assets, subject to fulfilment or waiver by PS Investment of the conditions precedent under the Acquisition Framework Agreement or acceptance of an alternative proposal and taking into account of the amount and progress of invoicing as agreed between PS Investment and the Selling Company.

The Company will settle the Consideration by internal resources and utilising the existing credit facilities available to the Group.

The Consideration was determined after arm's length negotiations between the Company and the Selling Company with reference to the book value of the Target Assets as at 30 September 2011.

## **Adjustment to the Consideration**

Pursuant to the Acquisition Framework Agreement, the Consideration shall be adjusted according to the results of the stock-taking on the Target Assets to be conducted jointly by PS Investment and the Selling Company on the Transfer Date, taking into account of, inter alia, the value of the inventories of Adidas (excluding Adidas Originals), Nike, Reebok, Puma, Converse and Umbro held by the Selling Company as at the Transfer Date, the operating expenses payable by the Selling Company prior to the Transfer Date and the amount of loss (if any) suffered by the non-defaulting party in the event of breaches of any covenants under the Acquisition Framework Agreement during the Transition Period.

PS Investment and the Selling Company shall agree on the amount of adjustment (if any) to be made to the Consideration on the Transfer Date in order to determine the final consideration for the Target Assets before Completion.

## **BUSINESS OPPORTUNITY COMPENSATION DEED**

As compensation for loss of business opportunity and the restrictive covenants given by the Owners under the Business Opportunity Compensation Deed, the Company has agreed to provide Cash Compensation and issue and allot Compensation Shares to the Owners (or their designated persons) within 10 days of completion of the Transfer Agreements.

The Business Opportunity Compensation Deed is conditional upon:

- (a) the execution of the Business Opportunity Compensation Deed;
- (b) the Acquisition Framework Agreement having become effective; and
- (c) the Shareholders or the Board of the Company having approved the Business Opportunity Compensation Deed and listing approval in respect of the Compensation Shares having been granted by the Stock Exchange.

Pursuant to the Business Opportunity Compensation Deed, the Owners have undertaken that, unless with the consent of PS Investment or otherwise provided in the Business Opportunity Compensation Deed or the Transfer Agreements, they would not, and would procure the Selling Company would not, for a period of 20 years from the effective date of the Business Opportunity Compensation Deed, directly or indirectly, either on his/its own account or in conjunction with any person:

- (a) carry on, participate, establish or be interested in or engaged in any business which is in competition with the business operated by the Target Assets, the Company, PS Investment or the Acquisition Vehicle in Greater China region (including the PRC, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Republic of China);
- (b) solicit or entice or endeavour to solicit or entice away from the Company, PS Investment or the Acquisition Vehicle any employee of the Company, PS Investment or the Acquisition Vehicle;
- (c) disseminate information which is prejudicial to the reputation and interest of the Company, PS Investment or the Acquisition Vehicle or their respective directors, management and employees;
- (d) solicit or entice away from or discourage from dealing with the Company, PS Investment or the Acquisition Vehicle any person who is a customer or member of alliance or supplier of the Target Assets; or
- (e) offer for sale to the customers or members of alliance of the Company, PS Investment or the Acquisition Vehicle any products which are in competition with the products of the Company, PS Investment or the Acquisition Vehicle.

Pursuant to the Business Opportunity Compensation Deed, the issue of the Compensation Shares is subject to (i) the execution of the Business Opportunity Compensation Deed; (ii) completion of the transfer of the Target Assets pursuant to the Transfer Agreements; and (iii) listing approval in respect of the Compensation Shares having been obtained from the Stock Exchange. The Compensation Shares will be issued within 10 days of completion of the Transfer Agreements and will be held in the Escrow Account for the 4-year Escrow Period during which neither the Company nor the Owners (or their designated persons) may deal in the Compensation Shares without the consent of the other parties. If during the Escrow Period there has been no breach of the Business Opportunity Compensation Deed or the Transfer Agreements, the Owners (or their designated persons) will be entitled to deal in the Compensation Shares held in the Escrow Account at the expiry of the Escrow Period. In the event of breaches of the Business Opportunity Compensation Deed or the Transfer Agreements, the Company and the Owners will determine as between themselves or by way of arbitration the compensation payable by the Owners to the Company and that after deducting such compensation, the Owners (or their designated persons) will be entitled to the balance of the Compensation Shares (if any) held in the Escrow Account.

The Company has undertaken in the Business Opportunity Compensation Deed to provide cash compensation to the Owners (or their designated persons) if the average closing prices of the Shares for 20 consecutive trading days after the expiry of the Escrow Period is less than HK\$4 per Share based on the following formula:

$$\text{(HK\$4 per Share – average closing prices per Share)} \quad \times \quad \text{number of Shares held in the Escrow Account at the time}$$

The Company also agreed to, through its subsidiary or arrange a financial institution to, within three months from completion of the Transfer Agreements, extend a loan of not more than RMB50,000,000 to the Selling Company for a period not exceeding the Escrow Period unless the parties otherwise consent in writing, provided that the Owners (or their designated persons) shall pledge the Compensation Shares in favour of the Company or a third party designated by the Company or the financial institution extending the loan as security for the full repayment of the loan together with interest so long as such loan and interest are outstanding. In the event that such loan is extended by the Company's subsidiary, the Company has agreed to offer a preferential loan interest rate which is equivalent to 50% of the loan interest rate offered by the People's Bank of China at the time during the loan period. In the event that such loan is extended by a financial institution, the Company has agreed to bear 50% of the loan interest payable during the loan period.

The total amount of the Cash Compensation and the Compensation Shares are determined with reference to the loss of earnings of the Owners as a result of their sale of the Target Assets and undertaking the restrictive covenants under the Business Opportunity Compensation Deed, which were estimated with reference to the Company's internal estimated revenue and operating profit margin which may be generated from the various brands under the Target Assets.

The Cash Compensation and the Compensation Shares are subject to adjustment in the event that (a) an event has occurred which requires adjustment under the Transfer Agreements to which the Company, PS Investment, the Owners, the Selling Company and related parties are parties, or any of the representations, warranties or undertakings by the Owners or the Selling Company under the Business Opportunity Compensation Deed or the Transfer Agreements has been breached which requires compensation being made to the Company or PS Investment or the Acquisition Vehicle, and such adjustment or compensation is yet to be made or deducted from the Consideration; or (b) a downward adjustment to the value of the business contracts of the Selling Company has to be made as a result of the failure to transfer such business contracts to the Acquisition Vehicle on completion of the Transfer Agreements or the reduction in the number of sales outlets after the transfer of such business contracts and the matter cannot be resolved in a manner as agreed between PS Investment, the Acquisition Vehicle and the Selling Company.

The Compensation Shares will be issued and allotted, credited as fully paid, under the Existing Mandate. The Existing Mandate has not been utilised since it was granted on 4 March 2011.

The Compensation Shares represent:

- (a) approximately 1.08% of the existing issued share capital of the Company as at the date of this announcement;
- (b) approximately 1.07% of the issued share capital of the Company as enlarged by the issue of the Compensation Shares.

The Compensation Shares when issued, will rank *pari passu* in all respects with the Shares then in issue as the date of allotment. Application will be made to the Stock Exchange for the listing and permission to deal in the Compensation Shares. The Cash Compensation will be funded by internal resources and utilising the existing credit facilities available to the Group.



## EFFECT ON SHAREHOLDING STRUCTURE

Based on the assumption that there will be no change in the issued share capital of the Company and shareholding structure of the Company from the date of this announcement to the date of issue and allotment of the Compensation Shares, the following table summarises the shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after the issue and allotment of the Compensation Shares to the Owners (or their designated persons):

Shareholders	As at the date of this announcement		Immediately after the issue and allotment of the Compensation Shares	
	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital
Major Focus Management Limited <sup>Note</sup>	2,408,344,622	56.53%	2,408,344,622	55.92%
Jollyard Investments Limited	216,945,000	5.09%	216,945,000	5.04%
Allianz SE	215,135,000	5.05%	215,135,000	5.00%
Owners (or their designated persons)	0	0.00%	46,000,000	1.07%
<b>Directors of the Company</b>				
Tsai David, Nai Fung	4,833,000	0.11%	4,833,000	0.11%
Tsai Patty, Pei Chun	4,460,000	0.10%	4,460,000	0.10%
Chang Karen Yi-Fen	7,589,000	0.18%	7,589,000	0.18%
Public	1,402,718,541	32.94%	1,402,718,541	32.58%
<b>Total</b>	<b>4,260,025,163</b>	<b>100.00%</b>	<b>4,306,025,163</b>	<b>100.00%</b>

*Note:* Major Focus Management Limited is a wholly-owned subsidiary of Yue Yuen.

## INFORMATION ON THE COMPANY, PS INVESTMENT AND THE SELLING COMPANY

The Company is an investment holding company and is a subsidiary of Yue Yuen. The Company and its subsidiaries are leading sportswear retailers in the PRC and are engaged in retail business, brand licensee business and manufacturing business. PS Investment is an indirect wholly-owned subsidiary of the Company and its principal business activities are, inter alia, investment holding, import and export of sports related goods, research and development, and provision of procurement and consultation services. The Selling Company is principally engaged in, inter alia, sportswear retailing business in the PRC.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group has been looking for opportunities to expand its retail network to various geographic regions in the PRC. The Acquisition will strengthen the Company's market position in regards to geographic coverage in the retail sportswear industry in the PRC. Taking into account the book value of the Target Assets, the Directors are of the view that the terms of the Acquisition Framework Agreement are fair and reasonable and are on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole. As the total amount of compensation payable to the Owners under the Business Opportunity Compensation Deed is determined with reference to their loss of earnings as a result of their sale of the Target Assets and undertaking the restrictive covenants under the Business Opportunity Compensation Deed, which were estimated with reference to the Company's internal estimated revenue and operating profit margin which may be generated from the various brands under the Target Assets, the Directors are of the view that the terms of the Business Opportunity Compensation Deed are fair and reasonable and are on normal commercial terms.

## **LISTING RULES IMPLICATION**

As the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are 5% or more but less than 25%, the entering into of the Acquisition Framework Agreement and the Business Opportunity Compensation Deed constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the purchase of the Target Assets pursuant to the Acquisition Framework Agreement
“Acquisition Framework Agreement”	the acquisition framework agreement dated 13 January 2012 between PS Investment, the Owners and the Selling Company in respect of the acquisition of the Target Assets
“Acquisition Vehicle”	the subsidiaries and/or branch offices of PS Investment or its related companies
“Amended and Restated Letter of Intent”	the amended and restated letter of intent dated 21 December 2011 entered into between PS Investment and the Selling Company in relation to the Acquisition, which supersedes and replaces the Letter of Intent

“Announcements”	the announcements of the Company dated 30 September 2011 and 21 December 2011 in relation to the Acquisition
“Asset Transfer Agreements”	the asset and business transfer agreements and related documents in respect of the sale and purchase of the Target Assets to be entered into between the Acquisition Vehicle and the Selling Company or its related parties pursuant to the Acquisition Framework Agreement
“Board”	the board of Directors
“Business Opportunity Compensation Deed”	the business opportunity compensation deed dated 13 January 2012 between the Company and the Owners in respect of the compensation to be paid by the Company to the Owners as consideration for the loss of business opportunity and the restrictive covenants given by them
“Cash Compensation”	foreign currency equivalent of RMB230,000,000 (equivalent to approximately HK\$283,200,000) in cash payable by the Company to the Owners under the Business Opportunity Compensation Deed
“Company”	Pou Sheng International (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 3813
“Compensation Shares”	a total of 46,000,000 new Shares to be issued and allotted by the Company to the Owners (or their designated persons) credited as fully paid as compensation for the loss of business opportunity and the restrictive covenants given by the Owners pursuant to the Business Opportunity Compensation Deed
“Completion”	completion of the Acquisition pursuant to the Acquisition Framework Agreement
“Consideration”	consideration payable by PS Investment for the Target Assets pursuant to the Acquisition Framework Agreement

“Deposit”	a refundable deposit paid in two instalments in relation to the Acquisition under the Letter of Intent and the Amended and Restated Letter of Intent
“Directors”	the directors of the Company
“Escrow Account”	an escrow account to be opened with a financial institution and to be jointly controlled by the Company and the Owners (or their designated persons) in respect of the escrow of the Compensation Shares
“Escrow Period”	a period of four years from the date of completion of the Transfer Agreements during which the Compensation Shares will be placed in the Escrow Account
“Existing Mandate”	the existing general mandate to issue Shares granted to the Board on 4 March 2011
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“Letter of Intent”	the letter of intent dated 30 September 2011 (as supplemented by a supplemental letter of intent dated 30 September 2011) entered into between PS Investment and the Selling Company in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Owners”	the owners, controllers and operators of the Selling Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Republic of China
“PS Investment”	常勝投資有限公司 (Pou Sheng (China) Investment Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“RMB”	Renminbi, the lawful currency of PRC
“Selling Company”	the company selling the Target Assets under the Acquisition Framework Agreement, being a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the business and assets relating to the sportswear retailing business in the PRC owned by the Selling Company or its related parties as at the Transfer Date including shop assets (including but not limited to inventories of Adidas (excluding Adidas Originals), Nike, Reebok, Puma, Converse and Umbro, furnishings and fittings), business contracts to which the Selling Company is a party and which will be renewed and proposed to be entered into by PS Investment or the Acquisition Vehicle, liabilities under the stored value cards, vouchers and membership cards issued by the Selling Company, accounts maintained with the banks and financial institutions for the operation of the Target Assets, records (including but not limited to customer and supplier lists), designated personnel, prepayment of rent and taxes in connection with the operation of Target Assets after the Transfer Date by the Selling Company to the relevant contractual parties and the government authorities, and all the rights attached to the Target Assets
“Transfer Agreements”	the Acquisition Framework Agreement and the Asset Transfer Agreements
“Transfer Date”	the date of transfer of the Target Assets from the Selling Company to PS Investment pursuant to the Acquisition Framework Agreement, which is expected to take place on 1 February 2012
“Transition Period”	the period between the date of the Acquisition Framework Agreement and the Transfer Date

“Yue Yuen”

Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 551

“%”

per cent.

*For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.2313. 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 rates or at any other rates at all.*

By Order of the Board of  
**Pou Sheng International (Holdings) Limited**  
**Tsai David, Nai Fung**  
*Chairman*

Hong Kong, 13 January 2012

*As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and non-executive director; Ms. Chang Karen Yi-Fen is the Chief Executive Officer and executive director; Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien are the non-executive directors; and Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih and Mr. Chang Li Hsien, Leslie are the independent non-executive directors.*

*Website: [www.pousheng.com](http://www.pousheng.com)*