THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Scheme Document or the Scheme or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pou Sheng International (Holdings) Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to purchase or subscribe for securities of Pou Chen Corporation.

POU CHEN CORPORATION
寶成工業股份有限公司
(Incorporated in Taiwan with limited liability by shares)

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
寶勝國際(控股)有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 3813)

(1) PROPOSED PRIVATIZATION OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED BY POU CHEN CORPORATION BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA) AND (2) PROPOSED WITHDRAWAL OF LISTING OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

Exclusive Financial Adviser to Pou Chen Corporation

Citigroup Global Markets Asia Limited

Independent Financial Adviser to the Independent Board Committee of Pou Sheng International (Holdings) Limited

Anglo Chinese Corporate Finance, Limited

Unless the context otherwise requires, capitalized terms used in this Scheme Document have the meanings set out in Part I of this Scheme Document.

A letter from the Pou Sheng Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Scheme Shareholders and the Pou Sheng Optionholders in respect of the Proposal and the Option Offer is set out in Part V of this Scheme Document. A letter from Anglo Chinese, the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Proposal and the Option Offer is set out in Part VI of this Scheme Document. An explanatory statement regarding the Proposal is set out in Part VII of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at Centenary Room III, G/F, Marco Polo Hongkong Hotel, 3 Canton Road, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, April 9, 2018 at 9:30 a.m. and 10:00 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) respectively are set out in Appendix IV and Appendix V, to this Scheme Document. If you are not able to attend the Court Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the SGM, in accordance with the instructions printed on them respectively, and to deposit them at Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under the section headed "18. Actions to be taken" in the explanatory statement in Part VII of this Scheme Document. The **pink** form of proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited and the Chairman shall have absolute discretion as to whether or not to accept it. If you attend and vote at the Court Meeting and the SGM, the authority of your proxy will be deemed to be revoked.

This Scheme Document is issued jointly by Pou Chen Corporation and Pou Sheng International (Holdings) Limited.

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

March 12, 2018

ACTIONS TO BE TAKEN BY POU SHENG SHAREHOLDERS

Please refer to the section headed "18. Actions to be Taken" in the explanatory statement in Part VII of this Scheme Document for further information regarding the matters set out below.

Actions to be taken by Pou Sheng Shareholders

A **pink** form of proxy for use in connection with the Court Meeting and a **white** form of proxy for use in connection with the SGM are enclosed with copies of this Scheme Document sent to the Pou Sheng Shareholders.

If you are not able to attend the Court Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the SGM, in accordance with the instructions printed on them respectively, and to deposit them at Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the **pink** form of proxy for use in connection with the Court Meeting should be lodged not later than 9:30 a.m. on Saturday, April 7, 2018. The **pink** form of proxy may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting. The **white** form of proxy for use in connection with the SGM must be lodged not later than 10:00 a.m. on Saturday, April 7, 2018. The completion and return of the relevant form of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the authority of your proxy for that meeting will be deemed to be revoked.

Even if you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM. You are therefore strongly encouraged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

At the Court Meeting, each holder of Scheme Shares (other than HKSCC Nominees Limited), present and voting either in person or by proxy, is entitled to vote all of the Scheme Shares registered in his/her/its name(s) either FOR the Scheme or AGAINST the Scheme, but not some FOR the Scheme and some AGAINST the Scheme.

Each holder of Scheme Shares is only entitled to submit one proxy form for the Court Meeting. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the proxy forms will not be accepted. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman of the Court Meeting shall have absolute discretion as to whether or not to accept those proxy forms.

Voting at the Court Meeting and the SGM will be taken by poll.

An announcement will be made by Pou Sheng in relation to the results of the Court Meeting and the SGM. If all of the requisite resolutions to approve the Scheme are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Pou Sheng Shares on the Stock Exchange.

Actions to be taken by Beneficial Owners whose Pou Sheng Shares are deposited in CCASS

If you are a Beneficial Owner whose Pou Sheng Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

(i) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Pou Sheng Shares with, a CCASS participant regarding voting instructions to be given to such persons; or

(ii) arrange for some or all of such Pou Sheng Shares to be withdrawn from CCASS and transferred into your own name, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

The procedures for voting by the Investor Participants and other CCASS Participants with respect to Pou Sheng Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "Operating Guide for Investor Participants", the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

Actions to be taken by Beneficial Owners whose Pou Sheng Shares are held by a Registered Owner other than HKSCC Nominees Limited

Except as required by law, no person shall be recognized by Pou Sheng as holding any Pou Sheng Shares on trust.

If you are a Beneficial Owner whose Pou Sheng Shares are registered in the name of a nominee, trustee, depositary or any other authorized custodian or third party (other than HKSCC Nominees Limited), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Pou Sheng Shares beneficially owned by you should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the SGM personally, you should:

(i) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or

(ii) arrange for some or all of the Pou Sheng Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM in order to provide the Registered Owner with sufficient time to complete his/her/its forms of proxy accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM, any such Beneficial Owner should comply with the requirements of such Registered Owner.

ACTIONS TO BE TAKEN BY POU SHENG OPTIONHOLDERS

The Option Offer Letter is being sent to each Pou Sheng Optionholder, together with this Scheme Document and a Form of Option Offer Acceptance. Pou Sheng Optionholders may also access the Form of Option Offer Acceptance by downloading such document from www.pousheng.com. If you are a Pou Sheng Optionholder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Option Offer Acceptance to Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and marked "Pou Sheng International (Holdings) Limited – Option Offer" **by no later than 4:00 p.m. on Wednesday, May 30, 2018 (or such other date and time as may be notified to the Pou Sheng Optionholders by or on behalf of Pou Chen)**. No acknowledgement of receipt of any Form of Option Offer Acceptance or any other document will be given.

You are encouraged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter and the Form of Option Offer Acceptance.

EXERCISE YOUR RIGHT TO VOTE

If you are a Pou Sheng Shareholder or a Beneficial Owner whose Pou Sheng Shares are held by a Registered Owner (including HKSCC Nominees Limited), you are strongly encouraged to exercise your right to vote (in the case of a Pou Sheng Shareholder) or to give instructions to the relevant Registered Owner (in the case of a Beneficial Owner) to vote in person or by proxy at the Court Meeting and/or the SGM. If you keep any Pou Sheng Shares in a share lending programme, you are encouraged to recall any outstanding Pou Sheng Shares on loan to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Pou Sheng Shares are deposited in CCASS, you are strongly encouraged to withdraw at least some of your Pou Sheng Shares from CCASS and become a registered holder of such Pou Sheng Shares and exercise your right to vote, in person or by proxy, at the Court Meeting and/or the SGM. You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Pou Sheng Shares into your name so as to qualify to attend and vote at the Court Meeting and the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Pou Sheng Shares from CCASS and register them in your name.

In respect of any Pou Sheng Shares of which you are the Beneficial Owner and which remain in CCASS, you are encouraged to contact your broker, custodian, nominee or other relevant person regarding voting instructions in relation to the manner in which those Pou Sheng Shares should be voted at the Court Meeting and/or the SGM without delay.

If you are a Registered Owner holding Pou Sheng Shares on behalf of one or more Beneficial Owners, you should inform the relevant Beneficial Owner(s) about the importance of exercising their right to vote.

The Independent Board Committee, having considered, among other things, the reasons for, and benefits of, the Proposal and the Option Offer and the terms of the Proposal and the Option Offer and having taken into account the advice of Anglo Chinese, the Independent Financial Adviser, as set out in the "Letter from Anglo Chinese" in Part VI of this Scheme Document, considers that the terms of the Proposal and the Option Offer are fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned.

NOTICE TO OVERSEAS POU SHENG SHAREHOLDERS AND POU SHENG OPTIONHOLDERS

The making of the Proposal to certain Scheme Shareholders and Pou Sheng Optionholders may be subject to the laws of jurisdictions other than Hong Kong. Scheme Shareholders, Beneficial Owners and Pou Sheng Optionholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Scheme Shareholders, Beneficial Owners and Pou Sheng Optionholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Proposal or the Option Offer, as the case may be, including obtaining any governmental, exchange control or other consents which may be required, and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Any action taken by such Scheme Shareholders or Beneficial Owners in respect of the Proposal or by such Pou Sheng Optionholders in respect of the Option Offer will be deemed to constitute a representation and warranty from such persons to Pou Sheng and Pou Chen that those local laws and requirements have been complied with.

Scheme Shareholders, Beneficial Owners and Pou Sheng Optionholders residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Pou Sheng Shares or the Pou Sheng Options, as the case may be.

Overseas Pou Sheng Shareholders, Beneficial Owners and Pou Sheng Optionholders are advised to read the section headed "13. Overseas Pou Sheng Shareholders and Pou Sheng Optionholders" in the explanatory statement in Part VII of this Scheme Document for further information.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Pou Sheng Group contained in this Scheme Document are historical in nature and past performance is not a guarantee of the future results of the Pou Sheng Group. This Scheme Document may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions and you should not place undue reliance on such forward-looking statements and opinions. Subject to the requirements of applicable laws, rules and regulations, including the Takeovers Code, none of Pou Chen, Pou Sheng, Citigroup, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Option Offer assumes any obligation to correct or update the forward-looking statements or opinions contained in this Scheme Document.

CONTENTS

In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise.

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Anglo Chinese" or "Independent Financial Adviser"	Anglo Chinese Corporate Finance, Limited (英高財務顧問有限公司), a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee in respect of the Proposal and the Option Offer
"Announcement Date"	January 21, 2018, being the date of the Joint Announcement
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Authorizations"	all the necessary authorizations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
"Beneficial Owner(s)"	any beneficial owner(s) of Pou Sheng Shares whose Pou Sheng Shares are registered in the name of a Registered Owner
"Bermuda Companies Act"	the Companies Act 1981 of Bermuda
"Bermuda Court"	the Supreme Court of Bermuda
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"Cancellation Price"	the cancellation price of HK$2.03 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Participant(s)"	person(s) admitted to participate in CCASS as a direct clearing participant or general clearing participant, a custodian participant or an Investor Participant who may be an individual or joint individuals or a corporation

"Citigroup"	Citigroup Global Markets Asia Limited (花旗環球金融亞洲有限公司), a company incorporated in Hong Kong with limited liability and licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, and the exclusive financial adviser to Pou Chen in connection with the Proposal
"Condition(s)"	the condition(s) to the implementation of the Proposal and the Scheme as described in the section headed "3. Conditions to the Proposal and the Scheme" in Part VII of this Scheme Document
"Court Hearing"	the hearing of the petition by the Bermuda Court for the sanction of the Scheme
"Court Meeting"	a meeting of the Scheme Shareholders to be convened at the direction of the Bermuda Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
"Deloitte"	Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong
"Disinterested Scheme Shareholder(s)"	Scheme Shareholder(s) other than the Pou Chen Concert Parties
"Effective Date"	the date on which the Scheme becomes effective in accordance with the Bermuda Companies Act
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
"Form of Option Offer Acceptance"	the form of acceptance dispatched to the Pou Sheng Optionholders in connection with the Option Offer
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong; in this Scheme Document, the conversion of RMB into HK$ is based on the exchange rate of RMB1 to HK$1.2153 for illustration purpose only
"HKSCC"	Hong Kong Securities Clearing Company Limited (香港中央結算有限公司), a company incorporated in Hong Kong with limited liability

"HKSCC Nominees Limited"	HKSCC Nominees Limited (香港中央結算(代理人)有限公司), a company incorporated in Hong Kong with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of Pou Sheng which has been established to advise the Disinterested Scheme Shareholders in respect of the Proposal and the Pou Sheng Optionholders in respect of the Option Offer
"Independent Yue Yuen Shareholder(s)"	Yue Yuen Shareholder(s) other than Pou Chen, Wealthplus, Win Fortune as well as Mr. Tsai and his controlled companies
"Investor Participant(s)"	person(s) admitted to participate in CCASS as an investor participant
"Joint Announcement"	the joint announcement published by Pou Chen, Yue Yuen and Pou Sheng on January 21, 2018 in relation to the Proposal and the Scheme
"Key International"	Key International Co., Ltd., a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of Yue Yuen
"Last Trading Day"	January 19, 2018, being the last trading day prior to the publication of the Joint Announcement
"Latest Option Exercise Date"	4:30 p.m. on May 18, 2018, being the expected latest time and date upon which Pou Sheng Optionholders must exercise their Pou Sheng Options in order to qualify for entitlements to the Cancellation Price under the Scheme
"Latest Practicable Date"	March 9, 2018, being the latest practicable date prior to the dispatch of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Major Focus"	Major Focus Management Limited (禮尚管理有限公司), a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of Yue Yuen and was interested in approximately 62.38% of the total issued share capital of Pou Sheng as at the Latest Practicable Date

"Meeting Record Date"	April 9, 2018, being the record date for the purpose of determining the entitlement of the Pou Sheng Shareholders to attend and vote at the Court Meeting and the SGM, or such other date as announced by Pou Sheng
"Mr. Chan"	Mr. Chan Lu Min, who is the chairman (being a director) of Pou Chen and an executive director of Yue Yuen
"Mr. Lee"	Mr. Lee, Shao-Wu, who is an executive director of Pou Sheng and a selected participant under the Pou Sheng Share Award Scheme
"Mr. Tsai"	Mr. Tsai Chi Jui, who is the father of Ms. Tsai
"Ms. Tsai"	Ms. Tsai Pei Chun, Patty, who is a director of Pou Chen, an executive director of Yue Yuen and a non-executive director of Pou Sheng
"NT$"	New Taiwan Dollar(s), the lawful currency of Taiwan
"Option Cancellation Price"	the option cancellation price per Pou Sheng Option payable in cash to the Pou Sheng Optionholders pursuant to the Option Offer as described in the section headed "7. The Option Offer" in Part VII of this Scheme Document
"Option Offer"	the offer made by or on behalf of Pou Chen to the Pou Sheng Optionholders
"Option Offer Letter"	the letter dated March 12, 2018 setting out the terms and conditions of the Option Offer sent separately to the Pou Sheng Optionholders, a form of which is set out in Appendix VI to this Scheme Document
"PCG Bros"	PCG Bros (Holdings) Co. Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of Yue Yuen (before November 14, 2016) or Pou Sheng (after November 14, 2016)
"Pou Chen"	Pou Chen Corporation (寶成工業股份有限公司), a company incorporated in Taiwan with limited liability by shares, the shares of which are listed on the Taiwan Stock Exchange (stock code: 9904.TW)
"Pou Chen Board"	the board of directors of Pou Chen

"Pou Chen Concert Party(ies)"	parties acting in concert or presumed to be acting in concert with Pou Chen under the definition of "acting in concert" under the Takeovers Code
"Pou Chen Director(s)"	director(s) of Pou Chen
"Pou Chen Group"	Pou Chen and its subsidiaries
"Pou Chen Share(s)"	common share(s) of NT$10 each in the share capital of Pou Chen
"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, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3813.HK)
"Pou Sheng Board"	the board of directors of Pou Sheng
"Pou Sheng Director(s)"	director(s) of Pou Sheng
"Pou Sheng Group"	Pou Sheng and its subsidiaries
"Pou Sheng Option(s)"	share option(s) granted under the Pou Sheng Share Option Scheme from time to time. As at the Latest Practicable Date, there were outstanding Pou Sheng Options exercisable into 32,877,190 Pou Sheng Shares
"Pou Sheng Optionholder(s)"	holder(s) of Pou Sheng Option(s)
"Pou Sheng Share Award Scheme"	the share award scheme of Pou Sheng adopted on May 9, 2014 and amended on November 11, 2016
"Pou Sheng Share Option Scheme"	the share option scheme of Pou Sheng adopted on May 14, 2008 and amended on March 7, 2012
"Pou Sheng Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of Pou Sheng
"Pou Sheng Shareholder(s)"	registered holder(s) of Pou Sheng Share(s)
"PRC"	the People's Republic of China, which, for the purposes of this Scheme Document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Proposal"	the proposal for the privatization of Pou Sheng by Pou Chen by way of the Scheme

"Registered Owner(s)"	in respect of a Beneficial Owner, any nominee, trustee, depository or any other authorized custodian or third party whose name is entered in the register of members of Pou Sheng as the holder of the Pou Sheng Shares in which the Beneficial Owner is beneficially interested
"Relevant Authorities"	competent governments and/or governmental bodies, regulatory bodies, courts or institutions
"Relevant Period"	the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Scheme"	a scheme of arrangement under Section 99 of the Bermuda Companies Act involving, among other things, the cancellation of all the Scheme Shares and the issuance of an equivalent number of new Pou Sheng Shares to Pou Chen and/or its designated wholly-owned subsidiary(ies)
"Scheme Document"	this composite scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
"Scheme Record Date"	4:00 p.m. on May 29, 2018, being the record date and time for determining entitlements under the Scheme, or such other date as announced by Pou Sheng
"Scheme Share(s)"	Pou Sheng Share(s) as at the Scheme Record Date other than those held by Pou Chen directly and/or indirectly through its wholly-owned subsidiary(ies). As at the Latest Practicable Date, Pou Chen did not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies). As referred to in Condition (c), it is expected that as part of the implementation of the Proposal, one Pou Sheng Share will be allotted and issued to Pou Chen or its designated wholly-owned subsidiary, and then 5,340,673,615 Pou Sheng Shares will be allotted and issued to Pou Chen and/or its designated wholly-owned subsidiary(ies). These 5,340,673,616 Pou Sheng Shares expected to be issued will not form part of the Scheme Shares
"Scheme Shareholder(s)"	registered holder(s) of Scheme Share(s) as at the Scheme Record Date
"SFC"	Securities and Futures Commission of Hong Kong

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of Pou Sheng Shareholders (including any adjournment thereof) to be convened for the purpose of considering, and if thought fit, approving, among other things, (i) the allotment and issue of one Pou Sheng Share to Pou Chen or its designated wholly-owned subsidiary; (ii) the reduction of the issued share capital of Pou Sheng by cancelling and extinguishing the Scheme Shares; and (iii) the allotment and issue of an equivalent number of Pou Sheng Shares so cancelled immediately thereafter to Pou Chen and/or its designated wholly-owned subsidiary(ies)
"Stamp Duty Ordinance"	Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Taiwan"	the Republic of China
"Taiwan Stock Exchange"	Taiwan Stock Exchange Corporation
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Trust"	the trust established in connection with the Pou Sheng Share Award Scheme which is constituted by a trust deed dated May 9, 2014 entered into between Pou Sheng as settler and the Trustee as trustee
"Trustee"	Computershare Hong Kong Trustees Limited (香港中央證券信託有限公司), a company incorporated in Hong Kong with limited liability, and any additional or replacement trustee(s), being the trustee(s) for the time being of the Trust
"United States" or "US"	United States of America
"USD" or "US$"	United States dollar(s), the lawful currency of the United States
"Wealthplus"	Wealthplus Holdings Limited, a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of Pou Chen and was interested in approximately 46.90% of the total issued share capital of Yue Yuen as at the Latest Practicable Date

"Win Fortune"	Win Fortune Investments Limited, a company incorporated in the BVI with limited liability, which is a direct wholly-owned subsidiary of Pou Chen and was interested in approximately 3.09% of the total issued share capital of Yue Yuen as at the Latest Practicable Date
"Winning Team"	Winning Team Holdings Limited, a company incorporated in the BVI with limited liability, which is an indirect wholly-owned subsidiary of Pou Sheng
"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, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 551.HK)
"Yue Yuen Disposal"	the proposed effective disposal by Yue Yuen of all Pou Sheng Shares held by it or its subsidiaries to Pou Chen at the Cancellation Price through the cancellation of all such Pou Sheng Shares as part of the Scheme in exchange for Pou Chen paying to Yue Yuen a total consideration of HK$6,763,049,667, which will be subject to the approval of the Independent Yue Yuen Shareholders
"Yue Yuen Group"	Yue Yuen and its subsidiaries
"Yue Yuen SGM"	a special general meeting of Yue Yuen Shareholders to be convened for the purpose of considering, and if thought fit, approving, among other things, the Yue Yuen Disposal and the transactions contemplated thereunder
"Yue Yuen Share(s)"	ordinary share(s) of HK$0.25 each in the share capital of Yue Yuen
"Yue Yuen Shareholder(s)"	registered holder(s) of the Yue Yuen Share(s)

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected date of the Court Hearing in Bermuda and the Effective Date, which are the relevant times and dates in Bermuda. Bermuda time is 11 hours behind Hong Kong time.

The following are some of the questions you, as a Pou Sheng Shareholder or a Pou Sheng Optionholder, may have and the answers to those questions. This section is qualified by, and should be read in conjunction with, this entire Scheme Document, including the Appendices.

1. What is the purpose of this Scheme Document?

The purpose of this Scheme Document is to provide you with information regarding the Proposal, the Scheme and the Option Offer and to give notices of the Court Meeting and the SGM.

2. What are the Court Meeting and the SGM? What is the Court Hearing?

- The Court Meeting is a meeting of the Scheme Shareholders for them to consider and, if thought fit, approve the Scheme.

- When the Court Meeting has concluded or adjourned, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve the implementation of the Scheme.

- If the requisite approvals for the Scheme are obtained at the Court Meeting and the special resolution is passed at the SGM, the Court Hearing will be held for the Bermuda Court to hear the petition for the sanction of the Scheme.

- The Court Meeting is convened at the direction of the Bermuda Court and the dispatch of this Scheme Document (including the notice of the Court Meeting) has been ordered by the Bermuda Court. Therefore, any material change to the terms of the Scheme as contained in this Scheme Document can only be made after a further order by the Bermuda Court is obtained, in which case the current expected timetable for completion of the Proposal will likely be postponed.

3. What is the location, date and time of the Court Meeting and the SGM?

- The Court Meeting and the SGM are convened to be held at Centenary Room III, G/F, Marco Polo Hongkong Hotel, 3 Canton Road, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, April 9, 2018 at 9:30 a.m. and 10:00 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively.

4. What vote is required from the Pou Sheng Shareholders in order for the Scheme to be approved?

- At the Court Meeting, the applicable approval thresholds with respect to the Scheme are:

  (a) The approval (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Pou Sheng Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting; and

(b) The approval (by way of poll) by at least 75% of the votes attaching to the Pou Sheng Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Pou Sheng Shares held by all the Disinterested Scheme Shareholders. As at the Latest Practicable Date, the Disinterested Scheme Shareholders held in aggregate 1,988,747,805 Pou Sheng Shares, representing approximately 37.24% of the total issued share capital of Pou Sheng.

- At the SGM, the applicable approval threshold with respect to the implementation of the Scheme is the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Pou Sheng Shareholders present and voting in person or by proxy at the SGM.

5. How do I vote?

For Pou Sheng Shareholders

- You are strongly encouraged to exercise your right to vote. You may vote in person or by proxy at the Court Meeting and the SGM.

- If you decide to appoint a proxy to attend and vote at the Court Meeting and the SGM on your behalf, you should fill in the relevant form of proxy as enclosed with this Scheme Document:

  (a) For Court Meeting: **pink** form

  (b) For SGM: **white** form

- The form(s) of proxy should be lodged with Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by the deadline below:

  (a) **pink** form: not later than 9:30 a.m. on Saturday, April 7, 2018 or alternatively, it may be handed to the Chairman of the Court Meeting at the Court Meeting

  (b) **white** form: not later than 10:00 a.m. on Saturday, April 7, 2018

For Beneficial Owners

- If your Pou Sheng Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Pou Sheng Shares with, a CCASS Participant regarding voting instructions to be given to such persons. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline set by them, in order to provide the broker, custodian, nominee or other relevant person with sufficient time to make arrangements with or provide HKSCC Nominees Limited with instructions in relation to the manner in which your Pou Sheng Shares should be voted.

- If your Pou Sheng Shares are held upon trust by, and registered in the name of, a Registered Owner (other than the situation where your Pou Sheng Shares are deposited in CCASS and therefore registered under the name of HKSCC Nominees Limited), you should contact the Registered Owner and provide him/her/it with instructions or make arrangements with the Registered Owner as to the manner in which your Pou Sheng Shares should be voted at the Court Meeting and/or the SGM. Such instructions and/or arrangements should be given or made in advance of the deadline set by the Registered Owner to provide the Registered Owner with sufficient time to complete his/her/its form of proxy accurately and submit it by the latest time for lodgement of such forms of proxy.

6. My Pou Sheng Shares are deposited in CCASS. Can I become a registered shareholder and, if so, how?

- If your Pou Sheng Shares are deposited in CCASS, you may become a registered shareholder of Pou Sheng and have the right to attend and vote at the Court Meeting and/or the SGM, by withdrawing all or any of your Pou Sheng Shares from CCASS and becoming a registered holder of such Pou Sheng Shares prior to the latest time for lodging transfers of Pou Sheng Shares to qualify for the entitlement to attend and vote at the Court Meeting and the SGM.

- You should contact your broker, custodian, nominee or other relevant person in advance of the detailed procedures and the latest time for lodging transfers of Pou Sheng Shares into your name so as to qualify to attend and vote at the Court Meeting and the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Pou Sheng Shares from CCASS and register them in your name.

7. Can I change my vote after I have submitted my proxy with voting instructions?

For Pou Sheng Shareholders

- You can revoke your proxy and/or change your voting instructions in three ways:

  (a) you may notify Pou Sheng in writing of the revocation of proxy provided that such notice shall have been received by Pou Sheng at least two hours before the commencement of the Court Meeting or the SGM (as the case may be). Any such notice shall be delivered to Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;

  (b) you may complete, date and submit a new form of proxy bearing a later date so that the new form of proxy is received by Pou Sheng not later than 48 hours before the time appointed for holding the Court Meeting and/or the SGM (as the case may be). In the case of the **pink** form of proxy in respect of the Court Meeting, you may also hand the new **pink** form of proxy bearing a later date to the Chairman of the Court Meeting (who shall have absolute discretion as to whether or not to accept it) at the Court Meeting; or

  (c) you may attend and vote at the Court Meeting and/or the SGM in person and in such event, your relevant form of proxy will be deemed to be revoked.

For Beneficial Owners

- You should contact your Registered Owner, broker, custodian, nominee or other relevant person and follow its direction to change your vote or revoke your proxy.

8. Who can vote at the Court Meeting and the SGM?

- At the Court Meeting, all Scheme Shareholders will be entitled to attend and vote on the Scheme. However, as the Pou Chen Concert Parties are not Disinterested Scheme Shareholders, their votes (representing approximately 62.76% of the total issued share capital of Pou Sheng as at the Latest Practicable Date) will not be counted for the purpose of satisfying Condition (b) in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document.

- At the SGM, all Pou Sheng Shareholders will be entitled to attend and vote on the special resolution approving the implementation of the Scheme.

- Notwithstanding the Trustee's status as a Disinterested Scheme Shareholder, the rules of the Pou Sheng Share Award Scheme prohibit the Trustee from exercising the voting rights attached to the Pou Sheng Shares held by it under the Trust. Accordingly, the Trustee will abstain from voting at the Court Meeting and the SGM.

9. What is the Proposal?

- Pursuant to the Proposal, Pou Chen is making a proposal to the Scheme Shareholders to privatize Pou Sheng by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act involving the cancellation of all the Scheme Shares and the allotment and issue of new Pou Sheng Shares to Pou Chen and/or its designated wholly-owned subsidiary(ies).

- In consideration for such cancellation, each Scheme Shareholder will receive a Cancellation Price of **HK$2.03** for each Scheme Share held on the Scheme Record Date.

- **The Cancellation Price will not be increased and Pou Chen does not reserve the right to do so.**

- On completion of the Proposal, (a) Pou Chen will own (directly or indirectly) 100% of the Pou Sheng Shares and (b) the listing of the Pou Sheng Shares on the Stock Exchange will be withdrawn.

- The Proposal is conditional upon the satisfaction or valid waiver (as applicable) of certain Conditions as further described in this Scheme Document.

10. What cancellation consideration will I receive under the Proposal for my cancelled Scheme Shares?

- Scheme Shareholders will receive a Cancellation Price of HK$2.03 for each Scheme Share held on the Scheme Record Date, which is expected to be 4:00 p.m. on Tuesday, May 29, 2018.

11. What happens if the Proposal is not approved at the Court Meeting or the SGM or otherwise lapses?

- No Pou Sheng Shareholder will receive the Cancellation Price and no Pou Sheng Optionholder will receive the Option Cancellation Price.

- The listing of the Pou Sheng Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or if the Proposal otherwise lapses, and none of the Scheme Shares will be cancelled in exchange for the Cancellation Price.

- Under the relevant restrictions of the Takeovers Code relating to the making of subsequent offers, if the Proposal does not become unconditional or is withdrawn or lapses, none of Pou Chen and any Pou Chen Concert Party nor any person who is subsequently acting in concert with any of them may, within 12 months from the date on which the Proposal is withdrawn or lapses, announce an offer or possible offer for Pou Sheng, except with the consent of the Executive.

12. What is the Option Offer?

- Pursuant to the Option Offer, Pou Chen is offering the Pou Sheng Optionholders the Option Cancellation Price, being the "see-through" price of the Pou Sheng Options, meaning (i) where the exercise price of the Pou Sheng Option is below the Cancellation Price, an amount equal to the Cancellation Price minus the exercise price of such Pou Sheng Option; or (ii) where the exercise price of the Pou Sheng Option is equal to or above the Cancellation Price, a nominal amount of HK$0.00001.

- The Option Offer is conditional upon the Scheme becoming effective.

- To be entitled to the Option Offer, a Pou Sheng Optionholder shall tender acceptance of the Option Offer by lodging a validly completed and executed Form of Option Offer Acceptance with Computershare Hong Kong Investor Services Limited. You should read the form of the Option Offer Letter in Appendix VI to this Scheme Document carefully.

13. I am a Pou Sheng Optionholder. What happens if I do not accept the Option Offer?

- Any Pou Sheng Optionholder who does not accept the Option Offer will not receive any cash consideration under the Option Offer, and his/her Pou Sheng Options will be cancelled on the date immediately after the Effective Date for no consideration.

14. Will I have to pay any fees or commissions?

- If your Scheme Shares are registered in your name as at the Scheme Record Date and the Scheme becomes effective, you will not have to pay brokerage fees or similar expenses in respect of the cancellation of the Scheme Shares concerned.

- If, as at the Scheme Record Date, you own your Scheme Shares through a financial intermediary (such as a broker or nominee), you should contact your financial intermediary for any charges that may apply.

15. I am an overseas Pou Sheng Shareholder. What should I do?

- All overseas Pou Sheng Shareholders are entitled to vote, and you are strongly encouraged to exercise your right to vote, in person or by proxy, at the Court Meeting and the SGM. The actions you should take are summarized in "Important Notice and Actions to be Taken" on pages i to v of this Scheme Document and the section headed "18. Actions to be Taken" in the explanatory statement in Part VII of this Scheme Document. You should read those sections carefully.

- Overseas Pou Sheng Shareholders are advised to read this Scheme Document in its entirety and in particular, the section headed "13. Overseas Pou Sheng Shareholders and Pou Sheng Optionholders" in the explanatory statement in Part VII of this Scheme Document.

16. What is the position of the Independent Board Committee with regard to the Proposal and the Option Offer?

- The Independent Board Committee, having considered, among other things, the reasons for, and benefits of, the Proposal and the Option Offer and the terms of the Proposal and the Option Offer and having taken into account the advice of Anglo Chinese, the Independent Financial Adviser, as set out in the Letter from Anglo Chinese in Part VI of this Scheme Document, considers that the terms of the Proposal and the Option Offer are fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned.

- Accordingly, the Independent Board Committee recommends that:

  (a) the Scheme Shareholders vote IN FAVOR OF the resolution to approve the Scheme at the Court Meeting;

  (b) the Pou Sheng Shareholders vote IN FAVOR OF the special resolution to approve the implementation of the Scheme at the SGM; and

  (c) the Pou Sheng Optionholders ACCEPT the Option Offer.

- The attention of the Scheme Shareholders and the Pou Sheng Optionholders is drawn to the "Letter from Anglo Chinese", which sets out the factors and reasons taken into account by Anglo Chinese in arriving at its advice to the Independent Board Committee.

17. When do you expect the Proposal to be completed?

- If the Conditions to the Proposal are satisfied or validly waived (as applicable) on or before Wednesday, May 30, 2018 (Bermuda time), the Proposal is expected to become effective on Wednesday, May 30, 2018 (Bermuda time).

- For details of the Conditions, your attention is drawn to the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document.

18. Who should I call if I have additional questions?

- If you have questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call (i) Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at +852 2862 8555; or (ii) the investor relations agency in connection with the Proposal, Newgate Communications, at +852 3589 6532 (English) or +852 3589 6539 (Chinese), between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays.

- The hotline cannot and will not provide advice on the merits of the Proposal or the Scheme or give financial or legal advice. If you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional adviser.

- You may also visit Pou Sheng's website at www.pousheng.com and refer to the enquiry hotlines and email addresses set out in the pop-up window titled "Information about the proposed privatization", which can also be accessed directly at www.pousheng.com/Information_window.html.

Set out below is the current expected timetable in relation to the Proposal and the Option Offer:

	Hong Kong time (unless otherwise stated)
Date of dispatch of this Scheme Document and the Option Offer Letter	Monday, March 12, 2018
Latest time for lodging transfers of Pou Sheng Shares to qualify for the entitlement to attend and vote at the Court Meeting and the SGM	4:30 p.m. on Thursday, March 29, 2018
Closure of the register of members of Pou Sheng for determining the entitlement to attend and vote at the Court Meeting and the SGM(1)	from Tuesday, April 3, 2018 to Monday, April 9, 2018 (both days inclusive)
Latest time for lodging forms of proxy in respect of:	
Court Meeting(2)	9:30 a.m. on Saturday, April 7, 2018 (or alternatively to be handed to the Chairman of the Court Meeting at the Court Meeting)
SGM(2)	10:00 a.m. on Saturday, April 7, 2018
Record date for determining the entitlement to attend and vote at the Court Meeting and the SGM, being the Meeting Record Date	Monday, April 9, 2018
Court Meeting(3)	9:30 a.m. on Monday, April 9, 2018
SGM(3)	10:00 a.m. on Monday, April 9, 2018 (or as soon thereafter as the Court Meeting shall have been concluded or adjourned)
Announcement of the results of the Court Meeting and the SGM, published on the Stock Exchange's website	after 4:30 p.m. and not later than 7:00 p.m. on Monday, April 9, 2018

	Hong Kong time (unless otherwise stated)
Expected latest time for dealing in Pou Sheng Shares on the Stock Exchange	4:10 p.m. on Friday, April 20, 2018
Court Hearing of the petition to sanction the Scheme	Friday, May 4, 2018 *(Bermuda time)*
Announcement of the results of the Court Hearing of the petition to sanction the Scheme, published on the Stock Exchange's website	before 8:30 a.m. on Monday, May 7, 2018
Latest time for Pou Sheng Optionholders to exercise their Pou Sheng Options to qualify for the entitlement to the Cancellation Price under the Scheme	4:30 p.m. on Friday, May 18, 2018
Latest time for lodging transfers of Pou Sheng Shares to qualify for the entitlement to the Cancellation Price under the Scheme	4:30 p.m. on Friday, May 18, 2018
Closure of the register of members of Pou Sheng for determining the entitlement of the Scheme Shareholders under the Scheme[(4)]	from Saturday, May 19, 2018 onwards
Record date and time for determining (1) the entitlement of the Scheme Shareholders under the Scheme and (2) the entitlement of the Pou Sheng Optionholders under the Option Offer, being the Scheme Record Date	4:00 p.m. on Tuesday, May 29, 2018
Latest time to accept the Option Offer and the closing date of the Option Offer[(5)]	4:00 p.m. on Wednesday, May 30, 2018
Effective Date[(6)]	Wednesday, May 30, 2018 *(Bermuda time)*
Announcement of (1) the Effective Date, (2) the results of the Option Offer and (3) the withdrawal of listing of Pou Sheng Shares on the Stock Exchange, published on the Stock Exchange's website	Thursday, May 31, 2018
Withdrawal of listing of Pou Sheng Shares on the Stock Exchange becomes effective[(6)]	4:00 p.m. on Friday, June 1, 2018
Cheques for payment of the Cancellation Price dispatched to the Scheme Shareholders[(7)]	on or before Friday, June 8, 2018

Hong Kong time
(unless otherwise stated)

Payment of the Option Cancellation Price
to the Pou Sheng Optionholders(7) . . . . .on or before
Friday, June 8, 2018

Pou Sheng Shareholders and Pou Sheng Optionholders should note that the dates and times specified in the above timetable are subject to change. Further announcement(s) will be made in the event that there is any change to the above timetable.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected date of the Court Hearing in Bermuda and the Effective Date, which are the relevant times and dates in Bermuda. Bermuda time is 11 hours behind Hong Kong time.

Notes:

(1) The register of members of Pou Sheng will be closed during such period for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Pou Sheng Shareholders to attend and vote at the SGM. For the avoidance of doubt, this period of closure is not for determining the Scheme Shareholders who are qualified for entitlement to the Cancellation Price under the Scheme.

(2) The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the SGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than the relevant times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting or the SGM will not preclude a Scheme Shareholder or a Pou Sheng Shareholder (as the case may be) from attending and voting in person at the relevant meeting if he, she or it so wishes. In such event, the authority of your proxy will be deemed to be revoked.

(3) The Court Meeting and the SGM will be held at Centenary Room III, G/F, Marco Polo Hongkong Hotel, 3 Canton Road, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong at the times and dates specified above. Please see the notices of the Court Meeting and the SGM set out in Appendices IV and V to this Scheme Document for details.

(4) The register of members of Pou Sheng will be closed from Saturday, May 19, 2018 onwards for the purpose of determining the Scheme Shareholders who are qualified for entitlement to the Cancellation Price under the Scheme.

(5) The duly completed and executed Form of Option Offer Acceptance must be lodged by the Pou Sheng Optionholders to Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and marked "Pou Sheng International (Holdings) Limited – Option Offer" by not later than 4:00 p.m. on Wednesday, May 30, 2018 (or such other date and time as may be notified to the Pou Sheng Optionholders by or on behalf of Pou Chen).

(6) The Scheme will become effective upon all the Conditions set out in "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document having been fulfilled or waived (as applicable). Pou Sheng Shareholders will be advised by an announcement of the exact date upon which the Scheme becomes effective. The withdrawal of listing of Pou Sheng Shares will take place following the Scheme becoming effective on the Effective Date and it is expected that the listing of Pou Sheng Shares will be withdrawn at 4:00 p.m. on Friday, June 1, 2018. All of the Conditions will have to be fulfilled or waived (as applicable) on or before May 30, 2018 (or such later date as Pou Chen and Pou Sheng may agree or, to the extent applicable, as the Bermuda Court may direct), failing which the Proposal and the Scheme will lapse.

(7) Cheques for the payment of the Cancellation Price under the Scheme will be dispatched by post at the risk of the recipients to their registered addresses shown in the register of members of Pou Sheng as soon as possible following the Effective Date but in any event within seven Business Days after the Effective Date (i.e. on or before Friday, June 8, 2018).

(8) The Option Cancellation Price under the Option Offer will be paid via wire payment to Pou Sheng's bank account for further distribution to Pou Sheng Optionholders as soon as possible following the closing date of the Option Offer but in any event within seven Business Days after the close of the Option Offer (i.e. on or before Friday, June 8, 2018).

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

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

Board of Directors:
Executive Directors
Wu, Pan-Tsu *(Chairman)*
Lee, Shao-Wu *(Chief Executive Officer)*

Non-executive Directors
Tsai Patty, Pei Chun
Li I-nan

Independent Non-executive Directors
Chen, Huan-Chung
Hsieh, Wuei-Jung
Shan Xue

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11

Head Office and Principal Place of Business:
22nd Floor, C-Bons International Center
108 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

March 12, 2018

To the Pou Sheng Shareholders

Dear Sir or Madam,

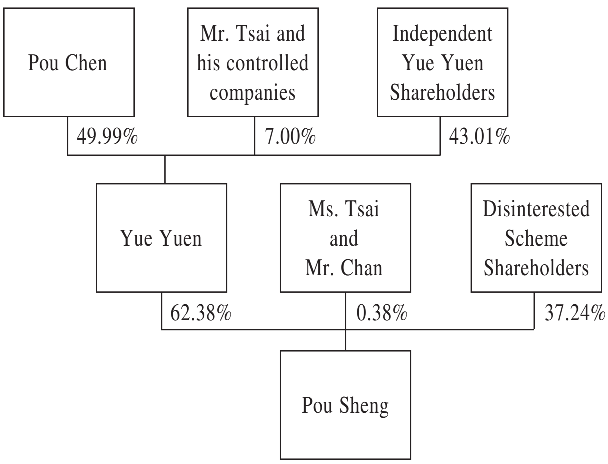
(1) PROPOSED PRIVATIZATION OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED BY POU CHEN CORPORATION BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA) AND (2) PROPOSED WITHDRAWAL OF LISTING OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

1. INTRODUCTION

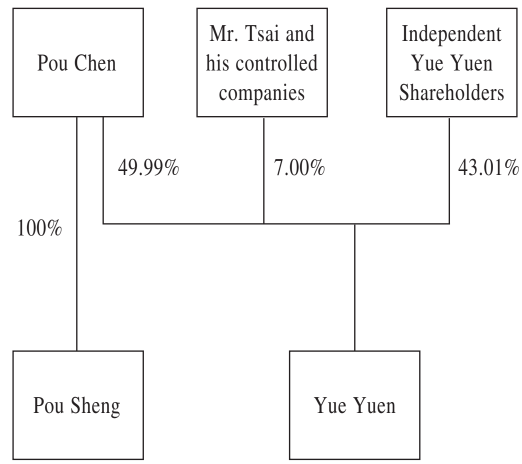
On January 21, 2018, the respective boards of directors of Pou Chen, Yue Yuen and Pou Sheng jointly announced that on the same date, Pou Chen requested the Pou Sheng Board to put forward the Proposal to the Scheme Shareholders for the privatization of Pou Sheng by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act. If the Proposal is approved and implemented, (i) Pou Sheng will become a direct or indirect wholly-owned subsidiary of Pou Chen; and (ii) the listing of the Pou Sheng Shares on the Stock Exchange will be withdrawn.

The diagrams below illustrate the simplified shareholding structure of Pou Sheng and Yue Yuen as at the Latest Practicable Date and immediately upon completion of the Scheme, assuming there are no changes in the shareholding of Yue Yuen between the Latest Practicable Date and the Scheme Record Date:

As at the Latest Practicable Date:



Upon completion of the Scheme:



Note: The shareholding percentages in the above diagrams and this note have been rounded to two decimal places for ease of illustration only. Also, certain wholly-owned intermediate holding companies are not shown in the above diagrams: (i) as at the Latest Practicable Date, Pou Chen's 49.99% shareholding in Yue Yuen was held through Wealthplus as to 46.90% and Win Fortune as to 3.09%; (ii) as at the Latest Practicable Date, Yue Yuen's 62.38% shareholding in Pou Sheng was held through Major Focus; and (iii) upon completion of the Scheme, some or all of Pou Chen's 100% shareholding in Pou Sheng may be held through one or more wholly-owned subsidiary(ies) of Pou Chen.

Pou Chen has appointed Citigroup as its exclusive financial adviser in connection with the Proposal and the Option Offer.

The Pou Sheng Board has established the Independent Board Committee, comprising all non-executive directors and independent non-executive directors of Pou Sheng who are not interested in the Proposal, namely, Mr. Li I-nan, Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue, to make a recommendation to the Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting and to the Pou Sheng Optionholders as to its views on acceptance of the Option Offer. The Independent Board Committee, after taking into account the Independent Financial Adviser's recommendation, recommends that (a) the Scheme Shareholders vote IN FAVOR OF the resolution to approve the Scheme at the Court Meeting; (b) the Pou Sheng Shareholders vote IN FAVOR OF the special resolution to approve the implementation of the Scheme at the SGM; and (c) the Pou Sheng Optionholders ACCEPT the Option Offer.

Pou Sheng has appointed Anglo Chinese as its Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Option Offer. Anglo Chinese has advised the Independent Board Committee to recommend (a) the Scheme Shareholders to vote IN FAVOR OF the resolution to approve the Scheme at the Court Meeting; (b) the Pou Sheng Shareholders to vote IN FAVOR OF the special resolution to approve the implementation of the Scheme at the SGM; and (c) the Pou Sheng Optionholders to ACCEPT the Option Offer. Your attention is drawn to the advice and recommendation of Anglo Chinese in Part VI of this Scheme Document.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme and the Option Offer and to give you notices of the Court Meeting and the SGM.

2. THE PROPOSAL

Under the Proposal, it is proposed that on the Effective Date:

(a) Pou Sheng will issue one Pou Sheng Share at par to Pou Chen or its designated wholly-owned subsidiary, and the issued share capital of Pou Sheng will thereafter be reduced by cancelling and extinguishing all the Scheme Shares. Subject to and forthwith upon such reduction of capital taking effect, the issued share capital of Pou Sheng will be restored to its former amount by the issuance at par to Pou Chen and/or its designated wholly-owned subsidiary(ies), credited as fully paid, of the same number of Pou Sheng Shares as the number of Scheme Shares cancelled. The reserve created in the books of account of Pou Sheng as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Pou Sheng Shares so issued to Pou Chen and/or its designated wholly-owned subsidiary(ies);

(b) the Scheme Shareholders will be entitled to receive the Cancellation Price of HK$2.03 for each Scheme Share cancelled;

(c) Pou Sheng will become a direct or indirect wholly-owned subsidiary of Pou Chen; and

(d) Pou Sheng will apply to the Stock Exchange for the withdrawal of listing of the Pou Sheng Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

The Proposal is, and the Scheme will become effective and binding on Pou Sheng and all Pou Sheng Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before May 30, 2018 (or such later date as Pou Chen and Pou Sheng may agree or, to the extent applicable, as the Bermuda Court may direct), failing which the Proposal and the Scheme will lapse.

For details of the Conditions, your attention is drawn to the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document.

Assuming that all Pou Sheng Optionholders exercise their outstanding Pou Sheng Options to become Scheme Shareholders before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK$10,908,308,135.

Assuming that none of the outstanding Pou Sheng Options is exercised or lapses before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK$10,841,567,439, and the amount of cash required for the Option Offer is approximately HK$17,038,817.

The total maximum cash consideration payable under the Proposal (including the Scheme and the Option Offer) on the basis described above is approximately HK$10,908,308,135.

Pou Chen intends to finance the cash required for the Proposal and the Option Offer from a combination of its internal cash resources and external debt financing.

Citigroup, the exclusive financial adviser to Pou Chen, is satisfied that sufficient financial resources are available to Pou Chen for the full implementation of the Proposal and the Option Offer in accordance with their terms.

By reason of being the exclusive financial adviser to Pou Chen in connection with the Proposal, Citigroup is presumed to be acting in concert with Pou Chen in relation to Pou Sheng. As at the Latest Practicable Date, and so far as Pou Chen is aware taking into account Note 1 to Rule 3.5 of the Takeovers Code, Citigroup and persons controlling, controlled by or under the same control with it (except those which are exempt principal traders recognized by the Executive as such for the purpose of the Takeovers Code) which are presumed to be acting in concert with Pou Chen in relation to Pou Sheng hold no interest or position in the Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares.

As stated in the Joint Announcement, the Cancellation Price of HK$2.03 per Scheme Share will not be increased, and Pou Chen does not reserve the right to do so. As such, Pou Sheng Shareholders, Pou Sheng Optionholders and potential investors of Pou Sheng should be aware that Pou Chen will not be allowed to increase the Cancellation Price and the Option Cancellation Price.

3. THE OPTION OFFER

Your attention is drawn to the section headed "7. The Option Offer" in the explanatory statement in Part VII of this Scheme Document and the form of the Option Offer Letter in Appendix VI to this Scheme Document.

4. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed "4. Reasons for and benefits of the Proposal" in the explanatory statement in Part VII of this Scheme Document.

5. INFORMATION ON POU CHEN AND POU SHENG

For information on Pou Chen, your attention is drawn to the section headed "8. Information on Pou Chen" in the explanatory statement in Part VII of this Scheme Document.

For information on Pou Sheng, your attention is drawn to (i) the section headed "9. Information on Pou Sheng" in the explanatory statement in Part VII of this Scheme Document; (ii) the financial information of the Pou Sheng Group in Appendix I to this Scheme Document; and (iii) the general information in Appendix II to this Scheme Document.

6. POU CHEN'S INTENTION REGARDING THE POU SHENG GROUP

Your attention is drawn to the section headed "5. Pou Chen's intention regarding the Pou Sheng Group" in the explanatory statement in Part VII of this Scheme Document.

7. WITHDRAWAL OF LISTING OF POU SHENG SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

Pou Sheng does not intend to retain its listing on the Stock Exchange. Pou Sheng will apply to the Stock Exchange for the withdrawal of the listing of the Pou Sheng Shares on the Stock Exchange so that such withdrawal is to take place immediately following the Effective Date.

Your attention is drawn to the section headed "10. Share Certificates, Dealings and Listing" in the explanatory statement in Part VII of this Scheme Document.

8. RECOMMENDATIONS

The Independent Board Committee, comprising all non-executive directors and independent non-executive directors of Pou Sheng who are not interested in the Proposal, namely, Mr. Li I-nan, Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue, has been established by the Pou Sheng Board to make a recommendation to the Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting and to the Pou Sheng Optionholders as to its views on acceptance of the Option Offer.

Ms. Tsai, a non-executive director of Pou Sheng, is a Pou Chen Concert Party, and is therefore not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders. Accordingly, Ms. Tsai has been precluded from joining the Independent Board Committee.

The Independent Board Committee, having considered (a) the reasons for, and benefits of, the Proposal and the Option Offer and their effects as set out in this Scheme Document; and (b) the terms of the Proposal and the Option Offer and having taken into account the advice of Anglo Chinese and in particular, the factors, reasons and recommendations set out in the letter from Anglo Chinese in Part VI of this Scheme Document, considers that the terms of the Proposal and the Option Offer are fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned.

Accordingly, the Independent Board Committee recommends that (a) the Scheme Shareholders vote in favor of the resolution to approve the Scheme at the Court Meeting; (b) the Pou Sheng Shareholders vote in favor of the special resolution to approve the implementation of the Scheme at the SGM; and (c) the Pou Sheng Optionholders accept the Option Offer.

Your attention is drawn to (i) the recommendation of the Independent Board Committee in Part V of this Scheme Document; and (ii) the letter from Anglo Chinese in Part VI of this Scheme Document which sets out the factors and reasons taken into account by Anglo Chinese in arriving at its advice to the Independent Board Committee.

9. COURT MEETING AND SGM

Notices convening the Court Meeting and the SGM to be held at Centenary Room III, G/F, Marco Polo Hongkong Hotel, 3 Canton Road, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, April 9, 2018 at 9:30 a.m. and 10:00 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) respectively are set out in Appendix IV and Appendix V to this Scheme Document.

The Bermuda Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in Conditions (a) and (b) in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document.

Following the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Scheme in the manner referred to in Condition (c) in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document.

An announcement will be made by Pou Sheng in relation to the results of the Court Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code and will include, among others, (a) the number of votes cast in favor of the Scheme at the Court Meeting and the number of CCASS Participants on whose instructions they are cast; and (b) the number of votes cast against the Scheme at the Court Meeting and the number of CCASS Participants on whose instructions they are cast.

10. ACTIONS TO BE TAKEN

Your attention is drawn to the section headed "18. Actions to be taken" in the explanatory statement in Part VII of this Scheme Document for details of the actions you should take as a Pou Sheng Shareholder, as a Beneficial Owner whose Pou Sheng Shares are held by a Registered Owner, as a Beneficial Owner whose Pou Sheng Shares are deposited in CCASS, or as a Pou Sheng Optionholder.

If you are an overseas Pou Sheng Shareholder or Pou Sheng Optionholder, your attention is drawn to the section headed "13. Overseas Pou Sheng Shareholders and Pou Sheng Optionholders" in the explanatory statement in Part VII of this Scheme Document.

11. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular (i) the letter from the Independent Board Committee in Part V of this Scheme Document; (ii) the letter from Anglo Chinese in Part VI of this Scheme Document; (iii) the explanatory statement in Part VII of this Scheme Document; and (iv) the Appendices to this Scheme Document.

Pou Sheng Shareholders and potential investors of Pou Sheng should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (as applicable), and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Pou Sheng Shareholders and potential investors of Pou Sheng should therefore exercise caution when dealing in the securities of Pou Sheng. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

If you are in any doubt as to any aspect of this Scheme Document or the Scheme or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

Yours faithfully,
For and on behalf of
Pou Sheng International (Holdings) Limited
Wu, Pan-Tsu
Chairman

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

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

March 12, 2018

To the Disinterested Scheme Shareholders and the Pou Sheng Optionholders

Dear Sir or Madam,

(1) PROPOSED PRIVATIZATION OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED BY POU CHEN CORPORATION BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA) AND (2) PROPOSED WITHDRAWAL OF LISTING OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

We refer to the document dated March 12, 2018 jointly issued by Pou Chen and Pou Sheng in relation to the Proposal and the Option Offer (the "**Scheme Document**"), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We, being all the non-executive directors and independent non-executive directors of Pou Sheng who are not interested in the Proposal, have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Scheme Shareholders and the Pou Sheng Optionholders in respect of the Proposal and the Option Offer.

Anglo Chinese Corporate Finance, Limited ("**Anglo Chinese**") has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the Proposal and the Option Offer. Having considered (a) the reasons for, and the benefits of, the Proposal and the Option Offer and their effects as set out in the Scheme Document and (b) the terms of the Proposal and the Option Offer and having taken into account the advice of Anglo Chinese, and in particular, the factors, reasons and recommendations set out in the letter from Anglo Chinese, we consider that the terms of the Proposal and the Option Offer are fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned.

Accordingly, we recommend that:

(i) the Scheme Shareholders vote IN FAVOR OF the resolution to approve the Scheme at the Court Meeting;

(ii) the Pou Sheng Shareholders vote IN FAVOR OF the special resolution to approve the implementation of the Scheme at the SGM; and

(iii) the Pou Sheng Optionholders ACCEPT the Option Offer.

We draw the attention of the Disinterested Scheme Shareholders and the Pou Sheng Optionholder to (1) the letter from the Board set out in Part IV of the Scheme Document, (2) the explanatory statement set out in Part VII of the Scheme Document and (3) the letter from Anglo Chinese, which sets out the factors and reasons taken into account in arriving at its advice to the Independent Board Committee, set out in Part VI of the Scheme Document.

Yours faithfully,
Independent Board Committee

Mr. Li I-nan	**Mr. Chen, Huan-Chung**	**Mr. Hsieh, Wuei-Jung**	**Mr. Shan Xue**
Non-executive director	*Independent non-executive director*	*Independent non-executive director*	*Independent non-executive director*

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
www.anglochinesegroup.com
英高財務顧問有限公司

To the Independent Board Committee, the Disinterested
Scheme Shareholders and the Pou Sheng Optionholders

March 12, 2018

Dear Sirs,

(1) PROPOSED PRIVATIZATION OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED BY POU CHEN CORPORATION BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA) AND (2) PROPOSED WITHDRAWAL OF LISTING OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Proposal and the Option Offer. Details of the Proposal and the Option Offer are set out in the Scheme Document of which this letter forms part. Expressions used in this letter shall have the same meanings as defined in the Scheme Document, unless the context requires otherwise.

On January 21, 2018, the respective boards of directors of Pou Chen, Yue Yuen and Pou Sheng jointly announced that on the same date, Pou Chen requested the Pou Sheng Board to put forward the Proposal to the Scheme Shareholders for the privatization of Pou Sheng by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act. If the Proposal is approved and implemented, the Scheme Shareholders will receive HK$2.03 in cash per Scheme Share; the listing of the Pou Sheng Shares on the Stock Exchange will be withdrawn; and Pou Sheng will become a direct or indirect wholly-owned subsidiary of Pou Chen. In addition, conditional upon the Scheme becoming effective, Pou Chen will make (or procure to be made on its behalf) an offer to the Pou Sheng Optionholders to cancel all Pou Sheng Options under the Option Offer.

The Pou Sheng Board has established the Independent Board Committee, comprising all non-executive directors and independent non-executive directors of Pou Sheng who are not interested in the Proposal, namely, Mr. Li I-nan, Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue, to make a recommendation to the Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting and to the Pou Sheng Optionholders as to its views on acceptance of the Option Offer. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has approved the appointment of Anglo Chinese as the Independent Financial Adviser to the Independent Board Committee in this regard.

Anglo Chinese is not associated or connected with Pou Sheng, Pou Chen, Yue Yuen, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Proposal and the Option Offer. Besides normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Pou Sheng, Pou Chen, Yue Yuen, their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our recommendation, we have relied on the information and facts supplied, and the opinions expressed, by Pou Sheng. We have also assumed that the information and representations contained or referred to in the Scheme Document were true and accurate at the time they were made and continued to be so at the Latest Practicable Date. We have reviewed the published information on Pou Sheng and the trading performance of the Pou Sheng Shares on the Stock Exchange. We have sought and received confirmation from the Pou Sheng Directors that no material facts have been omitted from the information supplied and opinions expressed by them. Pou Sheng will notify the Pou Sheng Shareholders of any material changes during the offer period (as defined under the Takeovers Code) as soon as possible in accordance with Rule 9.1 of the Takeovers Code. Disinterested Scheme Shareholders will also be notified of any material changes to such information provided and our opinion as soon as practicable throughout the offer period (as defined under the Takeovers Code). We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Scheme Document and to provide a reasonable basis for our opinion and advice. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by Pou Sheng. We have not, however, conducted an independent investigation into the business and affairs of the Pou Sheng Group, Pou Chen Group or the associates of either of them, nor have we carried out any independent verification of the information supplied.

We have also not considered the tax, regulatory and other legal implications on the Scheme Shareholders and the Pou Sheng Optionholders, in respect of the Proposal and the Option Offer, since these depend on their individual circumstances. In particular, the Scheme Shareholders and the Pou Sheng Optionholders, who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL AND THE OPTION OFFER

The detailed terms of the Proposal and the Option Offer are set out in the Explanatory Statement in Part VII of this Scheme Document. The relevant extracts are reproduced below for your reference.

The Scheme

Under the Proposal, if approved and implemented, the Scheme will result in Pou Sheng being privatized and the Pou Sheng Shares being withdrawn from listing on the Stock Exchange. If effected, under the Scheme (i) all Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price of HK$2.03 for each Scheme Share; (ii) Pou Sheng will issue one Pou Sheng Share at par to Pou Chen or its designated wholly-owned subsidiary, and the issued share capital of Pou Sheng will be reduced by cancelling and extinguishing all the Scheme Shares. Immediately after such reduction, the issued share capital of Pou Sheng will be restored to its former amount by the issuance at par to Pou Chen and/or its designated wholly-owned subsidiary(ies), credited as fully paid, of the same number of Pou Sheng Shares as the number of Scheme Shares cancelled. The reserve created in the books of account of Pou Sheng as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Pou Sheng Shares so issued, credited as fully paid, to Pou Chen and/or its designated wholly-owned subsidiary(ies); and (iii) Pou Sheng will become a direct or indirect wholly-owned subsidiary of Pou Chen.

If any dividend is declared by Pou Sheng on or before the Effective Date with a record date for entitlement to any such dividend which is on or before the Effective Date, Pou Sheng Shareholders whose names appear in the register of members of Pou Sheng as at the record date for entitlement to any such dividend will be entitled to receive such dividend.

The Proposal is, and the Scheme will become effective and binding on Pou Sheng and all Pou Sheng Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before May 30, 2018 (or such later date as Pou Chen and Pou Sheng may agree, or to the extent applicable, as the Bermuda Court may direct), failing which the Proposal and the Scheme will lapse. Details of the Conditions are set out in section headed "3. CONDITIONS TO THE PROPOSAL AND THE SCHEME" in the Explanatory Statement in Part VII of this Scheme Document.

The Cancellation Consideration of HK$2.03 will not be increased and Pou Chen does not reserve the right to do so, and accordingly, this represents the final price for each Scheme Share.

The Option Offer

Under the Option Offer, all Pou Sheng Options, vested or unvested, will be cancelled in exchange for the payment of the Option Cancellation Price for each Pou Sheng Option which is tendered in acceptance of the Option Offer, being (i) where the exercise price of the Pou Sheng Option is below the Cancellation Price, an amount equal to the Cancellation Price minus the exercise price of such Pou Sheng Option; or (ii) where the exercise price of the Pou Sheng Option is equal to or above the Cancellation Price, a nominal amount of HK$0.00001.

The following table sets out the exercise price of all the outstanding Pou Sheng Options and their respective Option Cancellation Price under the Option Offer:

Date of grant	Exercise price *(HK$)*	Exercisable period	Option Cancellation Price *(HK$)*	Number of Pou Sheng Shares into which Pou Sheng Options (vested and unvested) are exercisable
January 20, 2011	1.230	Until January 19, 2019	0.800	20,839,000
March 7, 2012	1.050	Until March 6, 2020	0.980	375,000
November 14, 2016	2.494	Until September 1, 2019	0.00001	1,166,320
		From September 1, 2018 to September 1, 2020	0.00001	1,166,320
		From September 1, 2019 to September 1, 2021	0.00001	1,166,320
		From September 1, 2020 to September 1, 2022	0.00001	2,332,640
		From September 1, 2021 to September 1, 2023	0.00001	5,831,590
			Total	32,877,190

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have considered the following factors in arriving at our recommendations regarding the terms of the Proposal and the Option Offer:

1. Reasons and benefits of the Proposal

The reasons for and the benefits of the Proposal stated in the Explanatory Statement in Part VII of this Scheme Document can be summarized as follows:

(a) The sporting goods industry is experiencing unprecedented changes and challenges, in particular (i) the rise of online shopping and the integration and collaboration of online and offline operators as a result of the change in consumers' expectations on good shopping experiences; and (ii) increased market competition as demonstrated by market players' aggressive and frequent promotions and experiments with new store formats;

(b) Faced with the aforementioned changes and challenges, the Pou Sheng Group has been exploring and investing heavily in a variety of initiatives to adapt to the shifting market dynamics, such as (i) expanding omni-channel capabilities; (ii) planning organized promotional activities; (iii) enhancing store offering; and (iv) providing sports-related content and services. It is expected that significant investments are required to implement these initiatives and enhance Pou Sheng's competitiveness which may involve execution risks that could adversely impact on its performance and cause price volatility on Pou Sheng Shares in the near term;

(c) It is believed that Pou Sheng will (i) be more flexible in transforming its operations in a timely fashion; (ii) enjoy more advantageous financing and coordinated internal treasury management under Pou Chen; and (iii) benefit from a streamlined corporate and management structure and an enhanced sharing of expertise, if it becomes a wholly-owned subsidiary of Pou Chen and therefore will be in a better position to continue performing the aforesaid initiatives;

(d) The current valuation level and low liquidity in the trading of Pou Sheng Shares indicate that Pou Sheng's listing status is ineffective in providing a sufficient source of funding for Pou Sheng's business and growth; and

(e) The Pou Chen Board considers that the Proposal and the Cancellation Price represent an opportunity for public Pou Sheng Shareholders to monetize their investment amid the aforesaid industry headwinds, execution risks, absence of near-term catalysts and limited liquidity.

We have discussed with the management of Pou Sheng and concurred with the Pou Sheng Board (other than the Independent Board Committee) that Pou Sheng will be in a better position to pursue the initiatives as mentioned in paragraph (b) above if it becomes a wholly-owned subsidiary of Pou Chen as follows:

(i) In short term, Pou Sheng will be able to pursue these initiatives without any share price pressure. Since such initiatives may not be effective in short or medium term and even exert burden on costs of operation of Pou Sheng and consequently adversely affect its financial performance, if Pou Sheng remains a listed company, such initiatives may have negative impact on the share price of Pou Sheng; and

(ii) In long term, Pou Sheng can pursue these initiatives, as well as obtain the sufficient funding for these initiatives, in a more flexible and efficient manner. If Pou Sheng remains a listed company, such initiatives may constitute notifiable transactions and connected transactions of Pou Sheng, which are subject to the reporting and shareholders' approval requirements, as the case may be, under the Listing Rules, and generally take time and involve expenses.

In respect of the point mentioned in paragraph (d) above, we have been advised by the management of Pou Sheng and concurred with the view of the Pou Sheng Board (other than the Independent Board Committee) that the low level of valuation and liquidity in the trading of Pou Sheng Shares (for details of the valuation level and liquidity of Pou Sheng Share, please refer to subsections below headed "5. Pou Sheng Share price and trading volume" and "6. Cancellation Price analysis – (i) Comparable company analysis") reflects a genuine lack of market appetite for Pou Sheng Shares, which implies equity financing a more "dilutive" practice given raising the same amount of fund at a lower share price, a larger scale of new shares issuance would be required. Also, a deficiency in demand would increase the uncertainty of equity financing, such as the determination of the issue price to attract market participation, the time required to seek adequate investors to subscribe new Pou Sheng Shares in the case of a placing and the likelihood of finding an underwriter in the case of a rights issue or an open offer.

In addition, we noted that Pou Sheng has not carried out any fundraising activities from the equity market during the last five years. The last equity fund raising conducted by Pou Sheng was a one-for-four rights issue announced on September 21, 2012, with a result of an under-subscription of 24.90% of the total number of rights shares available (such under-subscribed shares were fully underwritten by Yue Yuen). In view of such lack of equity market utilisation, we are of the opinion that the costs and efforts required to maintain Pou Sheng's listing status may not be economically justified.

2. Information on the Pou Sheng Group

Pou Sheng is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 2008 (stock code: 3813.HK). As at the Latest Practicable Date, Pou Sheng is indirectly held as to approximately 62.38% by Yue Yuen.

The Pou Sheng Group is principally engaged in the retailing of sportswear and distribution of licensed products. According to its 2017 interim report, the Pou Sheng Group's nationwide retail network consisted of 5,464 directly operated stores and 3,036 sub-distributor store as at June 30, 2017. The Pou Sheng Group has continued to pursue opportunities with international leisure and fashionable brands and as at June 30, 2017, it cooperated with brands Rockport, GEOX, Carter's, Levi's footwear, PONY, etc.

3. Financial performance of the Pou Sheng Group

(i) Historical financial performance of the Pou Sheng Group

The following table summarises the audited financial results of the Pou Sheng Group for each of the three years ended December 31, 2016 and each of the two six months ended June 30, 2017 ("**Financial Review Period**"):

	For the year ended December 31,			For the six months ended June 30,	
	2014 ("FY2014")	2015 ("FY2015")	2016 ("FY2016")	2016 ("1H2016")	2017 ("1H2017")
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(restated) (Note)	*(restated)*		*(restated and unaudited)*	*(unaudited)*
Revenue	12,209,056	14,465,564	16,236,384	8,312,889	9,515,092
Cost of sales	(8,630,295)	(9,647,897)	(10,467,944)	(5,354,052)	(6,223,056)
Gross profit	3,578,761	4,817,667	5,768,440	2,958,837	3,292,036
Other operating income and gains (losses)	146,368	121,002	228,178	108,163	134,160
Selling and distribution expenses	(3,052,185)	(3,724,350)	(4,415,748)	(2,170,429)	(2,591,057)
Administrative and other expenses	(466,096)	(615,360)	(656,714)	(326,001)	(329,386)
Operating profit	206,848	598,959	924,156	570,570	505,753
Finance costs – net	(39,248)	(36,532)	(50,514)	(22,340)	(49,093)
Share of results of an associate	(2,626)	(2,222)	(7,225)	(7,225)	–
Share of results of joint ventures	(23,917)	(6,157)	(4,691)	892	(2,472)
Other gains (losses)	(15,485)	(21,590)	(29,803)	14,923	(4,363)
Profit before taxation	125,572	532,458	831,923	556,820	449,825
Income tax expense	(85,575)	(149,323)	(262,312)	(174,091)	(138,285)
Profit for the year	39,997	383,135	569,611	382,729	311,540

*Sources: the annual ("**Annual Reports**") and interim reports ("**Interim Reports**") of the Pou Sheng*

Note: Starting from 1 January 2016, the Pou Sheng Group changed its presentation currency from US$ to RMB. Figures in the above consolidated income statement for FY2014 have been converted from US$ to RMB at the exchange rate of US$1 to RMB6.1644 for reference only.

Revenue

Sales of sportswear and footwear products has been Pou Sheng Group's main source of income during the Financial Review Period. From FY2014 to FY2016, Pou Sheng Group's revenue increased by approximately RMB4.0 billion, representing a compound annual growth rate ("CAGR") of around 15.3%, mainly due to the continuous growth in the same store sales coupled with revenue from newly opened stores.

Pou Sheng's revenue for 1H2017 exceeded that for 1H2016 by approximately RMB1.2 billion, or approximately 14.5%, mainly because of the growth in overall store sales and contributions from newly opened stores.

Gross profit and gross profit margin

Pou Sheng Group's gross profit increased from approximately RMB3.6 billion for FY2014 to approximately RMB5.8 billion, representing a CAGR of some 27.0%, along with a gross profit margin improvement from approximately 29.3% to approximately 35.5%. The main reasons for the growth in amount and improvement in margin were the increase in sales revenue and lowering of discounts granted on the retail sales prices.

For 1H2017, Pou Sheng Group's gross profit grew by approximately RMB0.3 billion, or some 11.3%, comparing to that for 1H2016. However, its gross profit margin for the same period declined slightly from approximately 35.6% to approximately 34.6%, attributable to the increase in allowance for inventories as the clearance of age-long inventories was slower than expected.

Selling and distribution expenses

Pou Sheng Group's selling and distribution expenses increased from approximately RMB3.1 billion for FY2014 to approximately RMB4.4 billion for FY2016, representing a CAGR of some 20.3%, outpacing the CAGR of revenue for the same period. The main reasons for the growth were the opening of new stores and additions of staff.

For 1H2017, Pou Sheng Group's selling and distribution expenses grew by approximately RMB0.4 billion, or some 19.4%, comparing to that for 1H2016. Again, such rate of increase outpaced that of the revenue for the same period, which was mainly attributable to store expansion and optimization, store renovations and upgrades, as well as the training of sales staff.

Operating profit and operating profit margin

Pou Sheng Group's operating profit increased from approximately RMB206.8 million for FY2014 to approximately RMB924.2 million, representing a CAGR of some 111.4%, along with an operating profit margin improvement from approximately 1.7% to approximately 5.7%.

Due to the aforementioned reasons, for 1H2017, Pou Sheng Group's operating profit decreased by approximately RMB64.8 million, or some 11.4%, comparing to that for 1H2016. Also, its operating profit margin for the same period declined from approximately 6.9% to approximately 5.3%.

Net profit and net profit margin

Pou Sheng Group's net profit increased from approximately RMB40.0 million for FY2014 to approximately RMB569.6 million, representing a CAGR of some 277.4%, along with a net profit margin improvement from approximately 0.3% to approximately 3.5%.

Due to the aforementioned reasons, for 1H2017, Pou Sheng Group's net profit decreased by approximately RMB71.2 million, or some 18.6%, comparing to that for 1H2016. Also, its net profit margin for the same period declined from approximately 4.6% to approximately 3.3%.

(ii) Historical financial position of the Pou Sheng Group

	As at December 31,			As at June 30,
	2014	**2015**	**2016**	**2017**
	("YE2014")	**("YE2015")**	**("YE2016")**	**("HYE2017")**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	*(unaudited)*	*(unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	586,876	707,427	902,732	990,885
Deposit paid for acquisition of property, plant and equipment	11,655	9,006	55,224	73,429
Prepaid lease payments	144,371	140,327	143,621	143,000
Rental deposits and prepayments	108,656	113,813	127,335	133,678
Intangible assets	704,924	657,401	614,678	565,148
Goodwill	536,210	545,748	532,450	532,794
Interest in an associate	12,633	10,411	–	–
Interests in joint ventures	58,188	67,061	51,791	49,319
Loans to joint ventures	107,203	47,500	17,500	17,500
Long-term loan receivable	50,000	–	–	–
Available-for-sale investments	–	1,999	2,156	2,228
Deferred tax assets	5,151	428	–	–
	2,325,867	**2,301,121**	**2,447,487**	**2,507,981**

	As at December 31,			As at June 30,
	2014	2015	2016	2017
	(“YE2014”)	(“YE2015”)	(“YE2016”)	(“HYE2017”)
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*
		(restated)	*(unaudited)*	*(unaudited)*
CURRENT ASSETS				
Inventories	3,712,064	3,910,362	4,400,649	4,511,060
Trade and other receivables	1,965,674	2,104,757	2,412,346	2,756,789
Taxation recoverable	2,038	7,248	1,526	2
Pledged bank deposits	–	5,997	–	–
Bank balances and cash	271,907	297,182	482,635	448,852
Assets classified as held for sale	–	–	299,133	10,000
	5,951,683	**6,325,546**	**7,596,289**	**7,726,703**
CURRENT LIABILITIES				
Trade and other payables	1,283,328	2,069,832	2,006,378	1,467,555
Taxation payable	12,230	42,582	64,664	110,600
Bank borrowings	1,221,722	368,682	1,375,826	2,171,627
Consideration payable for acquisition of business	–	74,301	60,439	–
Bank overdrafts	–	100,230	–	–
Liabilities associated with assets classified as held for sale	–	–	230,309	–
	2,517,280	**2,655,627**	**3,737,616**	**3,749,782**
NON-CURRENT LIABILITIES				
Consideration payable for acquisition of business	102,169	–	–	–
Deferred tax liabilities	195,108	183,310	172,649	160,281
	297,277	**183,310**	**172,649**	**160,281**
NET ASSETS	**5,462,993**	**5,787,730**	**6,133,511**	**6,324,621**
CAPITAL AND RESERVES				
Share capital	46,873	46,877	46,523	46,525
Reserves	5,325,611	5,695,497	6,057,008	6,235,035
Equity attributable to owners of the Company	5,372,484	5,742,374	6,103,531	6,281,560
Non-controlling interests	90,509	45,356	29,980	43,061
Total equity	**5,462,993**	**5,787,730**	**6,133,511**	**6,324,621**

Sources: the annual and interim reports of the Pou Sheng

Property, plant and equipment

The Pou Sheng Group's property, plant and equipment consisted mainly of (i) factory buildings and warehouses; (ii) leasehold improvements; (iii) furniture, fixture and equipment; and (iv) office and shopping mall buildings. The net value of Pou Sheng Group's property, plant and equipment increased by more than RMB400 million over the Financial Review Period from approximately RMB586.9 million as at YE2014 to approximately RMB990.9 million as at HYE2017, mainly attributable to the increase in capital expenditure on purchase of furniture, fixtures and equipment and leasehold improvements due to the openings of new stores.

Intangible assets and goodwill

The intangible assets of the Pou Sheng Group mainly represent brand names, non-compete agreements, customer relationship, licensing agreements and goodwill which were mainly a result of acquisition of certain companies before the start of the Financial Review Period. The intangible assets and goodwill decreased from approximately RMB704.9 million and RMB536.2 million respectively as at YE2014 to approximately RMB565.1 million and RMB532.8 million respectively as at HYE2017.

Inventories

Inventories of the Pou Sheng Group for the Financial Review Period composed mainly of finished goods. Pou Sheng Group's inventories increased from approximately RMB3.7 billion as at YE2014 to approximately RMB4.5 billion as at HYE2017, whereas its average inventories turnover days has gradually declined (FY2014: 160 days; FY2015: 144 days; FY2016: 145 days and 1H2017: 131 days).

Trade and other receivables

Trade and other receivables of the Pou Sheng Group for the Financial Review Period composed mainly of trade receivables, deposits, prepayments and other receivables. Pou Sheng Group's trade and other receivables increased from approximately RMB2.0 billion as at YE2014 to approximately RMB2.8 billion as at HYE2017, whereas its average trade receivables turnover days remained rather stable at around 30 days (FY2014: 31 days; FY2015: 28 days; FY2016: 28 days and 1H2017: 28 days).

Trade and other payables

Trade and other payables of the Pou Sheng Group for the Financial Review Period composed mainly of trade payables, bill payables, receipt in advance from customers, amounts due to related and connected parties, accrued staff costs, and other accruals and payables. Pou Sheng Group's trade and other payables increased slightly from approximately RMB1.3 billion as at YE2014 to approximately RMB1.5 billion as at HYE2017, whereas its average trade and bill payables turnover days has dropped substantially throughout the Financial Review Period (FY2014: 24 days; FY2015: 25 days; FY2016: 22 days and 1H2017: 10 days).

Bank borrowings

Pou Sheng Group's bank borrowings increased markedly from approximately RMB1.2 billion as at YE2014 to approximately RMB2.2 billion as at HYE2017.

(iii) Prospects of the Pou Sheng Group

As mentioned in the Pou Sheng's 2017 interim report, the operating environment for the Pou Sheng Group was mixed during 1H2017. On the one hand, the PRC's economy has continued to flourish as demonstrated by its growth in GDP of more than 6.5% and the amount of retail spending grew by double digits during the same period. Accompanied with the PRC government's promotions and policy supports to the sports and fitness, it is probable that the sportswear industry in general will face an upward trend in the foreseeable future. On the other hand, there has been a high growth of sports spending being consumed by more diverse channels and sophisticated manners, challenging retailers such as the Pou Sheng Group which adopted traditional marketing and sales approaches. Furthermore, the growth of consumer spending on sportswear has attracted more international players to enter the market and intensified competition within it.

Against the backdrop illustrated above, the Pou Sheng Group has started to improve and enhance its offline and online operations by converting its current operations to become more adaptive to the PRC's new retailing environment, which are more experiencing and storytelling oriented, bigger format stores expansions and more frequent seasonal promotion activities by events and products. It is also believed that continuous investment is required to develop and upgrade existing branding, store formats and digital channels.

4. Information on the Pou Chen Group and its intention regarding the future of the Pou Sheng Group

Pou Chen is a company incorporated in Taiwan with limited liability by shares, the shares of which have been listed on the Taiwan Stock Exchange since 1990 (stock code: 9904.TW).

The Pou Chen Group is principally engaged in the manufacturing of footwear and garment, the sportswear retail and brand licensing businesses, and other businesses including real estate development and hotel operation.

Following the implementation of the Proposal, Pou Chen intends that Pou Sheng will continue to carry on its business of retailing of sportswear and distribution of licensed products. Pou Chen intends to pursue various initiatives to adapt Pou Sheng to the shifting market dynamics, so as to enable it to continue to be a leading sports retailer in the PRC with great market scale and distribution potential.

5. Pou Sheng Share price and trading volume

The Cancellation Price of HK$2.03 per Pou Sheng Share represents:

(a) a premium of approximately 31.82% over the closing price of HK$1.54 per Pou Sheng Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 51.49% over the average closing price of approximately HK$1.34 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

(c) a premium of approximately 70.68% over the average closing price of approximately HK$1.19 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

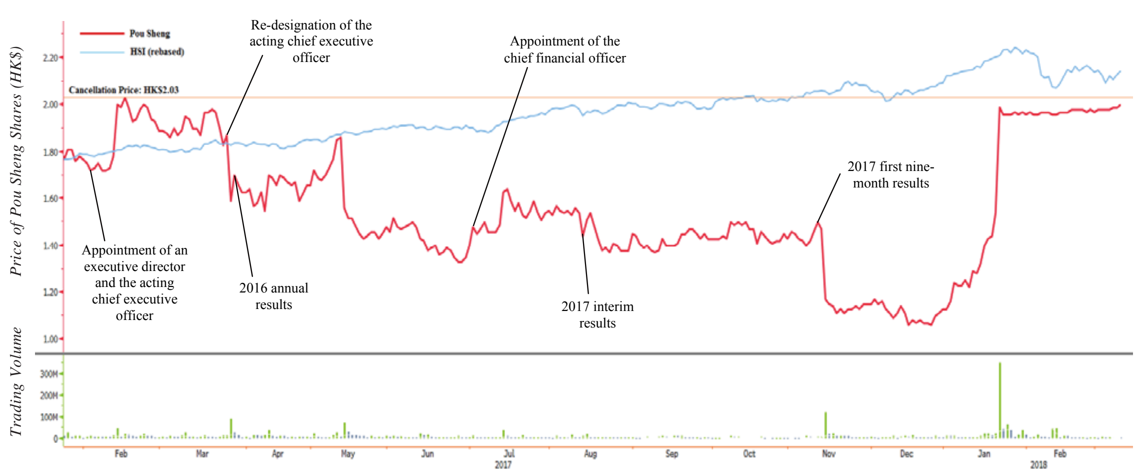
(d) a premium of approximately 64.39% over the average closing price of approximately HK$1.23 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(e) a premium of approximately 51.11% over the average closing price of approximately HK$1.34 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;

(f) a premium of approximately 1.50% over the closing price of HK$2.00 per Pou Sheng Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(g) a premium of approximately 41.96% over the unaudited consolidated net asset value of approximately RMB1.18 (equivalent to approximately HK$1.43) per Pou Sheng Share as at June 30, 2017, calculated based on the unaudited consolidated net asset value of the Pou Sheng Group attributable to the Pou Sheng Shareholders of RMB6,281,560,000 (equivalent to approximately HK$7,633,979,868) as at June 30, 2017 divided by the total number of 5,338,548,615 Pou Sheng Shares in issue as at the Latest Practicable Date.

The following chart illustrates the price performance of the Pou Sheng Shares relative to the Hang Seng Index ("**HSI**") and its trading volume from January 20, 2017, being the date one year preceding the Last Trading Day, up to and including the Latest Practicable Date ("**Review Period**"):



Source: Bloomberg

We are of the view that the one year period preceding the Last Trading Day adopted is an appropriate and representative timeframe for our analysis as such period reflects Pou Sheng Group's latest business and financial performance, in particular, the negative operating cashflow it generated for FY2016 and the sudden drop of its profitability for the 1H2017 (for details, please refer to the subsection above headed "3. Financial performance of the Pou Sheng Group").

As shown in the chart above, the Pou Sheng Shares have broadly underperformed the HSI (on a rebased basis) during the Review Period. The closing prices of Pou Sheng Shares were at par, which happened once on February 15, 2017, or below the Cancellation Price at all times during the Review Period. The Cancellation Price represents a marked premium of approximately 30.1% over the average closing price of approximately HK$1.56 during the Review Period.

It is notable that the daily closing price of Pou Sheng Shares reached its peak of HK$2.03 in mid-February 2017, after the announcement of appointment of Pou Sheng's executive Director and Acting Chief Executive Officer on February 3, 2017. Following the release of Pou Sheng's final results for the year ended December 31, 2016 and the later release of unaudited results for the nine months ended September 30, 2017, among other things, closing prices of Pou Sheng Shares demonstrated a trend of gradual decline until early January 2018, a time which was shortly prior to the Announcement Date.

In addition to the share price chart shown above, we have computed certain relevant statistical information on the share price performance and liquidity of the Pou Sheng Shares below for the one year preceding the Last Trading Day.

Reference period	Highest closing price	Lowest closing price	Average daily VWAP (average)	Premium of Cancellation Price average daily above VWAP	Average daily trading volume *('000)*	Average daily trading volume as a percentage of total number of issued shares
Last 1 year	2.03	1.06	1.50	35.07%	8,600	0.16%
Last 6 months	1.59	1.06	1.35	50.22%	6,577	0.12%
Last 3 months	1.54	1.06	1.24	63.35%	8,412	0.16%
Last 1 month	1.54	1.06	1.23	65.33%	8,992	0.17%
Last Trading Day	N/A	N/A	1.50	35.38%	23,731	0.44%

Source: Bloomberg

Notes:

(1) The average daily VWAP is calculated as the daily turnover amount divided by trading volume of Pou Sheng Shares; and

(2) The average daily trading volume is computed as the total trading volume of Pou Sheng Shares during the reference period divided by the number of trading days during that reference period.

We observed from the above trading statistics for the Pou Sheng Shares that:

(a) The Cancellation Price represents a premium of 35.07%, 50.22%, 63.35% and 65.33% over the average daily VWAP of the Pou Sheng Shares for the 1 year, 6 months, 3 months and 1 months period, preceding and up to the Last Trading Day, respectively; and

(b) Liquidity of the Pou Sheng Shares has been low as demonstrated by the average daily trading volume for the 1 year, 6 months, 3 months and 1 month periods preceding and up to the Last Trading Day as a percentage of total number of issued shares was merely 0.16%, 0.12%, 0.16% and 0.17%, respectively.

6. Cancellation Price analysis

(i) Comparable company analysis

To assess the fairness and reasonableness of the Cancellation Price, we have looked at Hong Kong listed companies which are comparable to Pou Sheng, focusing our analysis on the price-to-earnings ratio ("**PE ratio**"), enterprise value to EBITDA ratio ("**EV/EBITDA**") and price-to-book ratio ("**PB ratio**") as shown in the table below.

As illustrated in the sub-section headed "3. Financial performance of the Pou Sheng Group" above, the Pou Sheng Group mainly derived its revenue from two main business segments in the PRC, namely the sales of sportswear and footwear products and commissions from concessionaire sales, for the Financial Review Period. Having considered the financial performance and position of the Pou Sheng Group, we have identified the companies below, whose shares are listed on the Main Board of the Stock Exchange, and which are primarily engaged in sales of footwear products in the PRC. Based on the above criteria, the nine comparable companies listed below were identified and form an exhaustive list providing a fair and representative benchmark for assessing the Cancellation Price. Yue Yuen was excluded from this list as it holds more than 50% of the total issued Pou Sheng Shares and consolidates the financial performance of Pou Sheng. Pou Sheng Shareholders should note that the business, operation and prospect of Pou Sheng Group are not exactly the same as those of the companies we have selected, and we have not conducted any in-depth investigation into business and operations of the selected companies save for the aforesaid selection criteria. Nevertheless, the companies selected below can serve as a meaningful reference in assessing the fairness and reasonableness of the Cancellation Price.

Ticker	Company name	Market capitalization as at the Latest Practicable Date	PE ratio (x)	EV/ EBITDA (x)	PB ratio (x)
		(HK$'mil)	*(note 3)*	*(note 4)*	*(note 5)*
2020	ANTA Sports Products Limited	108,725	29.0	19.7	6.5
2331	Li Ning Company Limited	16,582	19.0	14.0	2.9
1368	Xtep International Holdings Limited	7,975	14.3	5.6	1.3
1361	361 Degrees International Limited	5,872	10.8	3.6	0.9
1028	C.banner International Holdings Limited	5,109	27.1	13.5	2.0
738	Le Saunda Holdings Limited	896	11.2	0.7	0.6
1386	Vestate Group Holdings Limited	824	N/A	N/A	9.4
1255	S. Culture International Holdings Limited	813	N/A	N/A	5.0
210	Daphne International Holdings Limited	800	N/A	N/A	0.2
		Maximum	29.0	19.7	9.4
		Minimum	10.8	0.7	0.2
		Average	18.6	9.5	3.2
		Median	16.7	9.6	2.0
	Pou Sheng - based on the Proposal *(note 1)*	**10,842**	**18.3**	**9.5**	**1.4**
	Pou Sheng - based on the closing price of Pou Sheng Share on the Last Trading Day *(note 2)*	**8,221**	**13.9**	**7.6**	**1.1**

Sources: Bloomberg, Thomson Reuters, the annual reports and announcements of annual results of the relevant companies, and the website of the Stock Exchange

Notes:

1. The Cancellation Price is used to determine the price per share, market capitalization, PE ratio, EV/EBITDA and PB ratio of Pou Sheng. Latest twelve months earnings attributable to owners of the company, latest twelve months earnings before interest, tax, depreciation and amortization, and latest published net asset value attributable to owners of the company are used as the denominator of the respective valuation multiple.

2. The closing price of the Pou Sheng Share on the Last Trading Day is used to determine the price per share, market capitalization, PE ratio, EV/EBITDA and PB ratio of Pou Sheng. Latest twelve months earnings attributable to owners of the company, latest twelve months earnings before interest, tax, depreciation and amortization, and latest published net asset value attributable to owners of the company are used as the denominator of the respective valuation multiple.

3. The PE ratios of the comparable companies are calculated based on their respective market capitalization on the Latest Practicable Date, divided by their respective latest twelve months earnings attributable to owners of the relevant companies.

4. The EV/EBITDA of the comparable companies are calculated based on their respective market capitalization on the Latest Practicable Date plus total borrowings, minority interest and preference shares, minus total cash and cash equivalents, divided by their respective latest twelve months earnings before interest, tax, depreciation and amortization..

5. The PB ratios of the comparable companies are calculated based on their respective market capitalization on the Latest Practicable Date, divided by their respective net asset value attributable to owners of the relevant comparable companies.

The Cancellation Price implies a market capitalization of Pou Sheng which represents around 18.3 times its latest twelve months net profit attributable to owners of the company. This PE ratio is close to the average of the comparables' of 18.6 times.

On the other hand, the enterprise value implied by the Cancellation Price divided by Pou Sheng's latest twelve months earnings before interest, tax, depreciation and amortization is around 9.5 times, which is at par with the average of the comparables' of 9.5 times.

We believe P/E ratio and EV/EBITDA are preferable multiples to assess the fairness and reasonableness of the Cancellation Price because they are commonly adopted in the market and easily comprehensible, and they reflect the fundamental view that a company's value is mainly attributable to what it generates for its shareholders, i.e., earnings.

The PB ratio is not a meaningful indicator of value for companies operating in the branded retail sector because in general, such companies' asset composition consists largely of inventories and trade receivables rather than assets which are marked to market periodically. PB ratio is usually applied to evaluate companies that engage in capital-intensive business, for instance, financial institutions and real estate development companies. Hence we have not given much consideration to this multiple. That said, we do note that Pou Sheng's PB ratio implied by the Cancellation Price is approximately 1.4 times which is within the range of the comparables' but lower than their average of 3.2. In any event, the PB ratio of 1.4 is well above 1, indicating that the Cancellation Price exceeds Pou Sheng's book value.

(ii) Comparable transaction analysis

We have reviewed recent privatization proposals in Hong Kong and selected successful privatizations of companies listed on the Main Board of the Stock Exchange by their respective controlling shareholder(s) irrespective of their industries and market capitalizations, and announced and completed from January 20, 2015, being the date three years preceding the Last Trading Day, up to and including the Latest Practicable Date ("**Precedent Privatizations**"). The list is exhaustive and is a fair representation of transactions comparable to the Proposal.

Based on the below table, the range of premium to the closing price of the last trading date, the average closing price of the last 30 days up to and including the last trading day and the latest reported net asset value of the Precedent Privatizations was 13.99% to 90.21%, 24.43% to 132.00% and -53.80% to 292.80%, with a median of 34.65%, 46.89% and 27.54%, respectively. Medians are used in lieu of averages for our analysis because they are less susceptible to the influence of outliers. While the premium represented by the Cancellation Price to the closing price of the Last Trading Day, the average closing price of the last 30 days up to and including the Last Trading Day and the latest reported net asset value is 31.82%, 70.68%, and 41.96%, respectively, each of which is within the corresponding range and is close to or even higher than the medians of the Precedent Privatizations.

It is worth mentioning that earnings multiples have not been considered in this analysis as the companies in the list of Precedent Privatizations operate in diverse industries and therefore exhibit varying levels of profitability and valuation expected by the market. Besides, we believe that trading price should be the most objective and reliable indicator of a listed company's value, which is driven by numerous factors, including but not limited to one's historical and expected profitability and financial position, which are considered by the market. As a result, we focus on the premium of offer/cancellation price over trading price, rather than exploring other less meaningful analyses, for assessing of the fairness and reasonableness of the Proposal.

Date of initial announcement	Ticker	Company	Industry	By way of	Premium/ Discount to Last Trading Date	Premium/ Discount to the average of the last 30 days	Premium/ Discount to reported NAV
10/11/2017	382	Welling Holding Limited	Consumer	Scheme of arrangement	30.40%	33.80%	22.60%
03/07/2017	170	China Assets (Holdings) Limited	Financials	Scheme of arrangement	61.50%	76.60%	–53.80%
19/06/2017	963	Bloomage BioTechnology Corporation Limited	Materials	Scheme of arrangement	13.99%	24.43%	233.33%
29/05/2017	319	China Metal International Holdings Inc.	Industrials	Scheme of arrangement	27.54%	25.94%	27.54%
20/04/2017	1136	TCC International Holdings Limited	Materials	Scheme of arrangement	38.50%	51.00%	– 4.10%

Date of initial announcement	Ticker	Company	Industry	By way of	Premium/ Discount to Last Trading Date	Premium/ Discount to the average of the last 30 days	Premium/ Discount to reported NAV
29/03/2017	283	Goldin Properties Holdings Limited	Real Estate	Voluntary conditional cash offer	36.80%	33.90%	101.30%
10/01/2017	1833	Intime Retail (Group) Company Limited	Consumer Discretionary	Scheme of arrangement	42.25%	51.77%	67.36%
01/12/2016	549	Jilin Qifeng Chemical Fiber Co., Ltd.	Materials	Voluntary conditional cash offer	27.56%	49.66%	– 0.10%
23/09/2016	3668	Chinalco Mining Corporation International	Materials	Scheme of arrangement	32.40%	33.70%	239.00%
26/07/2016	1968	Peak Sport Products Co., Limited	Consumer Discretionary	Scheme of arrangement	35.40%	29.40%	9.70%
08/07/2016	1438	Nirvana Asia Ltd	Consumer Discretionary	Scheme of arrangement	22.40%	36.40%	225.91%
17/06/2016	1768	Bracell Limited	Materials	Scheme of arrangement	44.30%	132.00%	–6.45%
12/06/2016	2618	TCL Communication Technology Holdings Limited	Information Technology	Scheme of arrangement	34.65%	47.06%	135.11%
30/05/2016	3699	Dalian Wanda Commercial Properties Co., Ltd.	Real Estate	Voluntary conditional cash offer	44.50%	50.83%	10.90%
29/05/2016	477	AUPU Group Holding Company Limited	Consumer Discretionary	Scheme of arrangement	24.90%	29.70%	292.80%
18/02/2016	3386	Dongpeng Holdings Company Limited	Materials	Scheme of arrangement	31.76%	46.89%	131.72%
02/02/2016	839	Anhui Tianda Oil Pipe Company Limited	Energy	Mandatory unconditional cash offer	59.00%	49.00%	–32.00%
06/01/2016	917	New World China Land Limited	Real Estate	Voluntary conditional cash offer	25.60%	40.80%	11.50%
20/10/2015	1025	Wumart Stores, Inc.	Consumer Staples	Voluntary conditional cash offer	90.21%	77.71%	61.98%

Date of initial announcement	Ticker	Company	Industry	By way of	Premium/ Discount to Last Trading Date	Premium/ Discount to the average of the last 30 days	Premium/ Discount to reported NAV
27/05/2015	2266	Dorsett Hospitality International Limited	Consumer Discretionary	Scheme of arrangement	32.40%	41.70%	–1.10%
26/02/2015	1390	econtext Asia Limited	Information Technology	Scheme of arrangement	41.00%	59.90%	37.05%
				Mean	**37.96%**	**48.68%**	**71.92%**
				Median	**34.65%**	**46.89%**	**27.54%**
				Max	**90.21%**	**132.00%**	**292.80%**
				Min	**13.99%**	**24.43%**	**–53.80%**
21/01/2018	**3813**	**Pou Sheng**	**Consumer Discretionary**	**Scheme of arrangement**	**31.82%**	**70.68%**	**41.96%**

Source: Bloomberg and the website of the Stock Exchange

7. Other considerations

(a) Potential consequences of failing to complete the Proposal

Rule 31.1 of the Takeovers Code restricts any offeror nor person who, in the original offer or subsequently, is acting in concert with it, to make another offer for the offeree company or acquire any voting rights of the offeree company if such acquisition would lead to a mandatory general offer within 12 months from the date on which the preceding offer is withdrawn or lapses, except with the consent of the Executive. As a result of such restriction, if the Proposal fails, neither Pou Chen Group nor Yue Yuen Group or any person acting in concert with them may propose another proposal to privatize Pou Sheng within the next 12 months. We do not believe that any privatization proposal made by a third party would be possible without the acceptance from Yue Yuen, which directly or indirectly held approximately 62.38% of the total issued share capital of Pou Sheng as at the Latest Practicable Date.

(b) Deteriorating operating cashflow

We note that currently the Pou Sheng Group has been experiencing a net cash used in operating activities. The Pou Sheng Group generated a net cash from operating activities of approximately RMB878.5 million for FY2015 but such figure reversed to a net cash used of RMB11.4 million for FY2016 and RMB111.4 million for 1H2017. We understand from the management of Pou Sheng that such reversion was mainly a result of a piling of inventories.

OPINION AND RECOMMENDATION

In relation to the Proposal and the Option Offer, having considered the principal factors and reasons, and in particular the following:-

(a) The footwear business of the Group is currently facing a rapid shift of demand from customers in respect of distribution means. Traditional store shopping is now being challenged as technological advancement has provided customers a greater variety of choice on shopping experiences, such as e-commerce, online-to-offline sales, the adoption of virtual-reality and augmented-reality technology, and so on. Against this background, it is expected the Pou Sheng Group will have to invest swiftly and heavily in transforming its distribution methods in order to maintain its competitiveness;

(b) Pou Sheng's recent operating profit and net profit margins have both deteriorated markedly, mainly due to the surge of selling and distribution expenses, accompanied with a net cash used in its operating activities for each of the FY2014 and 1H2017. It is expected that in addition to the investment in transforming its distribution channels as mentioned above, the Pou Sheng Group will also need to spend heavily on brand promotion and marketing to combat with the increased competition within the market;

(c) Pou Chen is a controlling shareholder of Yue Yuen which in turn controls approximately 62.38% shareholding in Pou Sheng. Strictly speaking, in the absence of support from Pou Chen, it is impossible for any third party to privatize Pou Sheng. As Pou Chen does not reserve the rights to increase the Cancellation Price, we are of the opinion that HK$2.03 per Scheme Share under the Scheme is the only offer Pou Sheng Shareholders will have, at least in the short-run, to monetize their shareholdings;

(d) The price of the Pou Sheng Shares broadly underperformed the HSI during the Review Period, as the price of the Pou Sheng Shares recorded a price return of approximately -13.0% from the date one year preceding the Last Trading Day up to and including the Last Trading Day, while the HSI recorded a price return of approximately 40.9% during the same period;

(e) The Cancellation Price represents a PE ratio and EV/EBITDA of 18.3 times and 9.5 times, respectively. These multiples are very close to the respective average of comparable companies'. As at the Last Trading Day, the Pou Sheng Shares were traded at PE ratio and EV/EBITDA of around 13.9 and 7.6 times respectively. If the Proposal is not approved, trading in the future may resume at these lower multiples or potentially be even lower if margins continue to fall;

(f) The Cancellation Price of HK$2.03 represents 31.82%, 70.68%, and 41.96% to the closing price on the Last Trading Date, the average closing price for the last 30 days up to and including the Last Trading Day and the reported net asset value;

(g) The Offeror has stated that it will not increase the Cancellation Price, and hence no increase will be permitted under the Takeovers Code; and

(h) If the Proposal is not approved, the Pou Sheng Shareholders should not expect to be offered another privatization proposal within the next 12 months.

Having considered the principal factors and reasons set out above, we consider the terms of the Proposal and the Option Offer fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend (a) the Scheme Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; (b) the Pou Sheng Shareholders to vote in favour of the special resolution to approve the implementation of the Scheme at the SGM; and (c) the Pou Sheng Optionholders to accept the Option Offer.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited
Dian Deng
Director

Ms. Dian Deng is a licensed person registered with the SFC and a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over ten years of experience in corporate finance industry.

This explanatory statement constitutes the statement required under Section 100 of the Bermuda Companies Act.

1. INTRODUCTION

On January 21, 2018, the respective boards of directors of Pou Chen, Yue Yuen and Pou Sheng jointly announced that on the same date, Pou Chen requested the Pou Sheng Board to put forward the Proposal to the Scheme Shareholders for the privatization of Pou Sheng by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act. If the Proposal is approved and implemented, (i) Pou Sheng will become a direct or indirect wholly-owned subsidiary of Pou Chen; and (ii) the listing of the Pou Sheng Shares on the Stock Exchange will be withdrawn.

2. THE PROPOSAL

2.1 Summary of the Proposal

Under the Proposal, it is proposed that on the Effective Date:

(a) Pou Sheng will issue one Pou Sheng Share at par to Pou Chen or its designated wholly-owned subsidiary, and the issued share capital of Pou Sheng will thereafter be reduced by cancelling and extinguishing all the Scheme Shares. Subject to and forthwith upon such reduction of capital taking effect, the issued share capital of Pou Sheng will be restored to its former amount by the issuance at par to Pou Chen and/or its designated wholly-owned subsidiary(ies), credited as fully paid, of the same number of Pou Sheng Shares as the number of Scheme Shares cancelled. The reserve created in the books of account of Pou Sheng as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Pou Sheng Shares so issued to Pou Chen and/or its designated wholly-owned subsidiary(ies);

(b) the Scheme Shareholders will be entitled to receive the Cancellation Price of HK$2.03 for each Scheme Share cancelled;

(c) Pou Sheng will become a direct or indirect wholly-owned subsidiary of Pou Chen; and

(d) Pou Sheng will apply to the Stock Exchange for the withdrawal of listing of the Pou Sheng Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules so that such withdrawal is to take place immediately following the Effective Date.

The Cancellation Price of HK$2.03 per Scheme Share will not be increased, and Pou Chen does not reserve the right to do so.

If any dividend is declared by Pou Sheng on or before the Effective Date with a record date for entitlement to any such dividend which is on or before the Effective Date, Pou Sheng Shareholders whose names appear in the register of members of Pou Sheng as at the record date for entitlement to any such dividend will be entitled to receive such dividend. If the record date for entitlement to any dividend falls after the Effective Date, only Pou Sheng Shareholder(s) whose name(s) appear on the register of members of Pou Sheng on such record date will be entitled to such dividend. Immediately after the Effective Date, Pou Chen or any subsidiary(ies) with which it proposes to effect the Proposal will be the only Pou Sheng Shareholder(s).

2.2 The Option Offer

Pou Chen is required to make (or procure to be made on its behalf) an appropriate offer to the Pou Sheng Optionholders in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

For further details of the Option Offer, please refer to the section headed "7. The Option Offer" below and the form of the Option Offer Letter in Appendix VI to this Scheme Document.

2.3 Total consideration

As at the Latest Practicable Date, (i) Pou Chen did not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies), and therefore the Scheme Shares comprised all the 5,340,673,615 Pou Sheng Shares in issue; and (ii) the Pou Chen Concert Parties held in aggregate 3,351,925,810 Pou Sheng Shares, representing approximately 62.76% of the total issued share capital of Pou Sheng.

As at the Latest Practicable Date, there were outstanding Pou Sheng Options exercisable into 32,877,190 Pou Sheng Shares granted under the Pou Sheng Share Option Scheme.

Assuming that all Pou Sheng Optionholders exercise their outstanding Pou Sheng Options to become Scheme Shareholders before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK$10,908,308,135.

Assuming that none of the outstanding Pou Sheng Options is exercised or lapses before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK$10,841,567,439, and the amount of cash required for the Option Offer is approximately HK$17,038,817.

The total maximum cash consideration payable under the Proposal (including the Scheme and the Option Offer) on the basis described above is approximately HK$10,908,308,135.

Pou Chen intends to finance the cash required for the Proposal and the Option Offer from a combination of its internal cash resources and external debt financing.

Citigroup, the exclusive financial adviser to Pou Chen, is satisfied that sufficient financial resources are available to Pou Chen for the full implementation of the Proposal and the Option Offer in accordance with their terms.

2.4 Comparison of value

The Cancellation Price of HK$2.03 per Scheme Share represents:

(a) a premium of approximately 31.82% over the closing price of HK$1.54 per Pou Sheng Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 51.49% over the average closing price of approximately HK$1.34 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;

(c) a premium of approximately 70.68% over the average closing price of approximately HK$1.19 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(d) a premium of approximately 64.39% over the average closing price of approximately HK$1.23 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(e) a premium of approximately 51.11% over the average closing price of approximately HK$1.34 per Pou Sheng Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;

(f) a premium of approximately 1.50% over the closing price of HK$2.00 per Pou Sheng Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(g) a premium of approximately 42.02% over the unaudited consolidated net asset value of approximately RMB1.18 (equivalent to approximately HK$1.43) per Pou Sheng Share as at June 30, 2017, calculated based on the unaudited consolidated net asset value of the Pou Sheng Group attributable to the Pou Sheng Shareholders of RMB6,281,560,000 (equivalent to approximately HK$7,633,979,868) as at June 30, 2017 divided by the total number of 5,340,673,615 Pou Sheng Shares in issue as at the Latest Practicable Date.

3. CONDITIONS TO THE PROPOSAL AND THE SCHEME

The Proposal is, and the Scheme will become effective and binding on Pou Sheng and all Pou Sheng Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

(a) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Pou Sheng Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

(b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Pou Sheng Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Pou Sheng Shares held by all the Disinterested Scheme Shareholders;

(c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Pou Sheng Shareholders present and voting in person or by proxy at the SGM to approve, among other things, (i) the allotment and issue of one Pou Sheng Share to Pou Chen or its designated wholly-owned subsidiary; (ii) the reduction of the issued share capital of Pou Sheng by cancelling and extinguishing the Scheme Shares; and (iii) the allotment and issue of an equivalent number of Pou Sheng Shares immediately thereafter to Pou Chen and/or its designated wholly-owned subsidiary(ies);

(d) the sanction of the Scheme (with or without modifications) by the Bermuda Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;

(e) the necessary compliance with the procedural requirements and conditions (if any) of Section 46(2) of the Bermuda Companies Act in relation to the reduction of the issued share capital of Pou Sheng referred to in Condition (c) above;

(f) the approval by the Investment Commission of the Ministry of Economic Affairs of Taiwan of the additional investment by Pou Chen in the PRC (as a result of Pou Sheng becoming a wholly-owned subsidiary of Pou Chen pursuant to the Scheme) pursuant to Article 35 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area (as amended from time to time) and the regulations promulgated thereunder;

(g) the passing of an ordinary resolution by the Independent Yue Yuen Shareholders at the Yue Yuen SGM to approve the Yue Yuen Disposal;

(h) the approval by the Investment Commission of the Ministry of Economic Affairs of Taiwan of the reduction of investment by Yue Yuen in the PRC (as a result of the Yue Yuen Disposal) pursuant to Article 35 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area (as amended from time to time) and the regulations promulgated thereunder;

(i) all Authorizations having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Taiwan and any other relevant jurisdictions;

(j) all Authorizations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

(k) all necessary consents (including consents from the relevant lenders) in connection with the Proposal and the withdrawal of listing of the Pou Sheng Shares on the Stock Exchange which may be required under any existing contractual obligations of Pou Sheng and Yue Yuen being obtained and remaining in effect;

(l) no lender of the Pou Sheng Group or the Yue Yuen Group as at the Announcement Date indicating on or prior to the Effective Date that it will exercise its rights to accelerate the repayment of any obligations prior to the stated maturity date arising from, or to claim an event of default under, any financing documentation to which any member of the Pou Sheng Group or the Yue Yuen Group is a party;

(m) if required, the obtaining by Pou Chen of such other necessary consent, approval, authorization, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under applicable laws and regulations;

(n) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of Pou Chen to proceed with the Proposal or the Scheme;

(o) since the Announcement Date, there having been no material adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Pou Sheng Group to an extent which is material in the context of the Pou Sheng Group taken as a whole or in the context of the Proposal; and

(p) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Pou Sheng Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member, in each case which is material and adverse in the context of the Pou Sheng Group taken as a whole or in the context of the Proposal.

Conditions (a) and (b) take into account the approval requirements under Rule 2.10 of the Takeovers Code, in addition to the statutory requirements under Section 99 of the Bermuda Companies Act. Under Section 99 of the Bermuda Companies Act, the Scheme will, subject to the sanction of the Bermuda Court, be binding on Pou Sheng and all Pou Sheng Shareholders if the Scheme is approved by a majority in number of the Scheme Shareholders, representing not less than three-fourths in value of the Scheme Shares, present and voting either in person or by proxy at the Court Meeting. Under Rule 2.10 of the Takeovers Code, however, the Scheme has to be approved (by way of poll) by at least 75% of the votes attaching to the Pou Sheng Shares held by the Disinterested Scheme Shareholders that are cast either in person or by proxy at the Court Meeting and the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Pou Sheng Shares held by all the Disinterested Scheme Shareholders.

Conditions (a) to (h) cannot be waived in any event. Pou Chen reserves the right (but is not obliged) to waive Conditions (i) to (p) either in whole or in part, and either generally or in respect of any particular matter. Pou Sheng has no right to waive any of the Conditions.

In respect of Condition (i), as at the Latest Practicable Date, Pou Chen and Pou Sheng did not foresee any necessary Authorizations required in connection with the Proposal from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, Taiwan and any other relevant jurisdictions, save for the Authorizations already set out above as separate Conditions (other than Condition (m)).

In respect of Condition (m), as at the Latest Practicable Date, Pou Chen and Pou Sheng were not aware of any consent, approval, authorization, permission, waiver or exemption from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations, save for the Authorizations already set out above as separate Conditions (other than Condition (i)).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, Pou Chen may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to Pou Chen in the context of the Proposal.

All of the Conditions will have to be fulfilled or waived (as applicable) on or before May 30, 2018 (or such later date as Pou Chen and Pou Sheng may agree or, to the extent applicable, as the Bermuda Court may direct), failing which the Proposal and the Scheme will lapse.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

It is currently expected that, assuming that all of the Conditions are fulfilled or waived (as applicable), the Scheme will become effective on Wednesday, May 30, 2018 (Bermuda time) and the listing of the Pou Sheng Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Friday, June 1, 2018 pursuant to Rule 6.15 of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

4. REASONS FOR AND BENEFITS OF THE PROPOSAL

The sporting goods industry, in which the Pou Sheng Group is a market player, is experiencing unprecedented changes and challenges, in particular (i) the rise of online shopping, as seen from the rapid growth of e-commerce platforms, the integration and collaboration of online and offline operators as well as the change in consumers' expectations on good shopping experiences with online and offline channels complementary to each other; and (ii) increased market competition, such as more aggressive and frequent promotions among sportswear brand customers and various market players' aggressive experimenting with new store formats. Faced with these changes and challenges, the Pou Sheng Group has been exploring and investing heavily in a variety of initiatives to adapt to the shifting market dynamics, such as (i) expanding omni-channel capabilities; (ii) planning organized promotional activities; (iii) enhancing store offering; and (iv) providing sports-related content and services.

To allow the Pou Sheng Group to explore and adapt to such challenging environment, it is expected that significant investments are required to implement the aforesaid initiatives and enhance Pou Sheng's business which may involve execution risks that could impact on Pou Sheng's performance in the near term. Whilst the Pou Chen Board and the Pou Sheng Board (other than the Independent Board Committee) are confident that with the resources of the Pou Chen Group, the Pou Sheng Group will be able to achieve success in its transformation, initiatives to bring about such changes are nonetheless expected to cause share price volatility to Pou Sheng Shareholders in the near term.

In view of this, the Pou Chen Board and the Pou Sheng Board (other than the Independent Board Committee) believe that the aforesaid initiatives are best performed with Pou Sheng under direct (or indirect) 100% ownership of Pou Chen, given that (i) Pou Sheng needs to be very flexible in transforming its operations in a timely fashion; (ii) Pou Sheng will enjoy more advantageous financing and coordinated internal treasury management under Pou Chen; and (iii) Pou Sheng will benefit from a streamlined corporate and management structure and an enhanced sharing of expertise.

Furthermore, the Pou Chen Board and the Pou Sheng Board (other than the Independent Board Committee) are of the view that the current valuation level and low liquidity in the trading of Pou Sheng Shares indicate that Pou Sheng's listing status is ineffective in providing a sufficient source of funding for Pou Sheng's business and growth.

Accordingly, the Pou Chen Board considers that the Proposal and the Cancellation Price represent an opportunity for public Pou Sheng Shareholders to monetize their investment amid the aforesaid industry headwinds, execution risks, absence of near-term catalysts and limited liquidity.

5. POU CHEN'S INTENTION REGARDING THE POU SHENG GROUP

Following the implementation of the Proposal, Pou Chen intends that Pou Sheng will continue to carry on its business of retailing of sportswear and distribution of licensed products. Pou Chen has no intention to make major changes to (a) the business of Pou Sheng Group (including the redeployment of any fixed assets of the Pou Sheng Group) or (b) the employment of the employees of the Pou Sheng Group, save for those changes which Pou Chen may from time to time implement following the review of its strategic options relating to the business, structure and/or direction of Pou Sheng Group.

As explained in section 4 above, Pou Chen intends to pursue various initiatives to adapt Pou Sheng to the shifting market dynamics, so as to enable it to continue to be a leading sports retailer in the PRC with great market scale and distribution potential.

6. EFFECT OF THE PROPOSAL ON THE SHAREHOLDING STRUCTURE OF POU SHENG

As at the Latest Practicable Date, the authorized share capital of Pou Sheng was HK$300,000,000 divided into 30,000,000,000 Pou Sheng Shares of HK$0.01 each, and Pou Sheng had 5,340,673,615 Pou Sheng Shares in issue.

As at the Latest Practicable Date, (i) Pou Chen did not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies), and therefore the Scheme Shares comprised all the 5,340,673,615 Pou Sheng Shares in issue; and (ii) the Pou Chen Concert Parties held in aggregate 3,351,925,810 Pou Sheng Shares, representing approximately 62.76% of the total issued share capital of Pou Sheng.

The table below sets out the shareholding structure of Pou Sheng as at the Latest Practicable Date and immediately upon completion of the Scheme, assuming that no outstanding Pou Sheng Options are exercised, there are no other changes in the shareholding of Pou Sheng between the Latest Practicable Date and the Scheme Record Date:

	As at the Latest Practicable Date		**Upon completion of the Scheme**	
	Number of Pou Sheng Shares	*Approximate% of total issued Pou Sheng Shares*	*Number of Pou Sheng Shares*	*Approximate% of total issued Pou Sheng Shares*
Pou Chen *(Note 1)*	–	–	5,340,673,616	100%
Pou Chen Concert Parties				
Major Focus *(Note 2)*	3,331,551,560	62.38%	–	–
Ms. Tsai *(Note 3)*	19,523,000	0.37%	–	–
Mr. Chan *(Note 4)*	851,250	0.01%	–	–
Aggregate number of Pou Sheng Shares held by all Pou Chen Concert Parties	3,351,925,810	62.76%	–	–
Disinterested Scheme Shareholders				
The Trustee *(Notes 5 and 6)*	125,066,320	2.34%	–	–
Other public Pou Sheng Shareholders *(Note 7)*	1,863,681,485	34.90%	–	–
Aggregate number of Pou Sheng Shares held by all Disinterested Scheme Shareholders	1,988,747,805	37.24%	–	–
Total	**5,340,673,615**	**100%**	**5,340,673,616**	**100%**

Notes:

1. As at the Latest Practicable Date, Pou Chen did not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies). As part of the implementation of the Proposal, (i) one Pou Sheng Share will be allotted and issued to Pou Chen or its designated wholly-owned subsidiary; (ii) the Scheme Shares (being 5,340,673,615 Pou Sheng Shares in issue as at the Latest Practicable Date) will be cancelled and extinguished; and (iii) an equivalent number of Pou Sheng Shares will be allotted and issued to Pou Chen and/or its designated wholly-owned subsidiary(ies). Upon completion of these steps, the then entire issued share capital of Pou Sheng (comprising 5,340,673,616 Pou Sheng Shares) will be held by Pou Chen directly and/or indirectly through its wholly-owned subsidiary(ies).

2. Major Focus is a direct wholly-owned subsidiary of Yue Yuen. As at the Latest Practicable Date, Yue Yuen was indirectly held as to approximately 49.99% by Pou Chen. Therefore, Major Focus is presumed to be a Pou Chen Concert Party.

3. Ms. Tsai is a director of Pou Chen, and is therefore presumed to be a Pou Chen Concert Party.

4. Mr. Chan is the chairman (being a director) of Pou Chen, and is therefore presumed to be a Pou Chen Concert Party.

5. Notwithstanding the Trustee's status as a Disinterested Scheme Shareholder, the rules of the Pou Sheng Share Award Scheme prohibit the Trustee from exercising the voting rights attached to the Pou Sheng Shares held by it under the Trust. Accordingly, the Trustee will abstain from voting at the Court Meeting and the SGM.

6. Among the 125,066,320 Pou Sheng Shares held by the Trustee, 39,058,130 were awarded to selected participants under the Pou Sheng Share Award Scheme (of which 1,000,000 were awarded to Mr. Lee) subject to certain vesting conditions and remained unvested as at the Latest Practicable Date.

7. As at the Latest Practicable Date, 83,628,025 Pou Sheng Shares were held by Citigroup entities in the capacity as exempt principal trader.

7. THE OPTION OFFER

7.1 The Pou Sheng Share Option Scheme and the Pou Sheng Options

The Pou Sheng Share Option Scheme was adopted on May 14, 2008 and amended on March 7, 2012. As at the Latest Practicable Date, there were outstanding Pou Sheng Options exercisable into 32,877,190 Pou Sheng Shares granted under the Pou Sheng Share Option Scheme, of which Pou Sheng Options in respect of 22,380,320 Pou Sheng Shares had already vested and were exercisable as at the Latest Practicable Date. Other than such outstanding Pou Sheng Options, there were no other options, derivatives, warrants or other securities issued by Pou Sheng that are convertible or exchangeable into Pou Sheng Shares. As at the Latest Practicable Date, none of Pou Chen and the Pou Chen Concert Parties held any Pou Sheng Options.

The full exercise of all outstanding Pou Sheng Options would result in the issue of 32,877,190 Pou Sheng Shares, representing approximately 0.62% of the total issued share capital of Pou Sheng as at the Latest Practicable Date and approximately 0.61% of the total issued share capital of Pou Sheng as enlarged by the issue of such new Pou Sheng Shares.

7.2 The Option Offer

Pou Chen is required to make (or procure to be made on its behalf) an appropriate offer to the Pou Sheng Optionholders in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Under the Option Offer, all Pou Sheng Options, vested or unvested, will be cancelled in exchange for the payment of the Option Cancellation Price for each Pou Sheng Option which is tendered in acceptance of the Option Offer, being (i) where the exercise price of the Pou Sheng Option is below the Cancellation Price, an amount equal to the Cancellation Price minus the exercise price of such Pou Sheng Option; or (ii) where the exercise price of the Pou Sheng Option is equal to or above the Cancellation Price, a nominal amount of HK$0.00001.

The following table sets out the exercise price of all the outstanding Pou Sheng Options and their respective Option Cancellation Price under the Option Offer:

Date of grant	Exercise price (*HK$*)	Exercisable period	Option Cancellation Price (*HK$*)	Number of Pou Sheng Shares into which Pou Sheng Options (vested and unvested) are exercisable
January 20, 2011	1.230	Until January 19, 2019	0.800	20,839,000
March 7, 2012	1.050	Until March 6, 2020	0.980	375,000
November 14, 2016	2.494	Until September 1, 2019	0.00001	1,166,320
		From September 1, 2018 to September 1, 2020	0.00001	1,166,320
		From September 1, 2019 to September 1, 2021	0.00001	1,166,320
		From September 1, 2020 to September 1, 2022	0.00001	2,332,640
		From September 1, 2021 to September 1, 2023	0.00001	5,831,590
			Total	**32,877,190**

7.3 Payment of the Option Cancellation Price

Each Pou Sheng Optionholder as at the Scheme Record Date who accepts the Option Offer and lodges a validly completed Form of Option Offer Acceptance by the prescribed deadline will be entitled to receive the Option Cancellation Price for each Pou Sheng Option which is tendered in acceptance of the Option Offer.

Settlement of the Option Cancellation Price to which the Pou Sheng Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Pou Chen may otherwise be, or claim to be, entitled against such Pou Sheng Optionholder.

The amount of cash required to fully implement the Option Offer (assuming 100% acceptance by the Pou Sheng Optionholders) would be approximately HK$17,038,817.

7.4 The Option Offer Letter

The Option Offer Letter setting out the terms and conditions of the Option Offer is being sent separately to the Pou Sheng Optionholders. A form of the Option Offer is set out in Appendix VI to this Scheme Document.

7.5 Summary of rights of Pou Sheng Optionholders and cancellation of the Pou Sheng Options

Paragraph 5.3(f) of the rules of the Pou Sheng Share Option Scheme provides that if a general offer for Pou Sheng Shares by way of a scheme of arrangement is made to all the Pou Sheng Shareholders and has been approved by the requisite majority at the requisite meetings, Pou Sheng shall forthwith give notice thereof to each grantee and the grantee (or his/her legal personal representative) may at any time thereafter (but before such time as shall be notified by Pou Sheng) exercise his/her Pou Sheng Options to its full extent or to the extent specified in such notice.

Paragraph 6(d) of the rules of the Pou Sheng Share Option Scheme provides that subject to the relevant scheme of arrangement (as contemplated in paragraph 5.3(f) of the rules of the Pou Sheng Share Option Scheme) becoming effective, any outstanding Pou Sheng Options shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period for exercising the Pou Sheng Options set out in the notice mentioned above.

Accordingly, the Pou Sheng Board has resolved as follows:

(1) that the period designated to Pou Sheng Optionholders to exercise their Pou Sheng Options (whether vested or unvested) in accordance with paragraph 5.3(f) of the rules of the Pou Sheng Share Option Scheme shall begin on the date that Conditions (a), (b) and (c) in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document have been fulfilled and shall end on the Latest Option Exercise Date; and

(2) any Pou Sheng Options (whether vested or unvested) outstanding after the Latest Option Exercise Date and for which no valid Form of Option Offer Acceptance in respect of the Option Offer has been lodged with Computershare Hong Kong Investor Services Limited shall automatically lapse on the date immediately after the Effective Date.

Any Pou Sheng Optionholder who tenders a validly completed and executed Form of Option Offer Acceptance to accept the Option Offer by the prescribed deadline will receive the Option Cancellation Price for each Pou Sheng Option which is tendered in acceptance of the Option Offer.

Any Pou Sheng Optionholder who does not accept the Option Offer will not receive any cash consideration under the Option Offer, and his/her Pou Sheng Options will be cancelled on the date immediately after the Effective Date for no consideration.

8. INFORMATION ON POU CHEN

Pou Chen is a company incorporated in Taiwan with limited liability by shares, the shares of which have been listed on the Taiwan Stock Exchange since 1990 (stock code: 9904.TW). The Pou Chen Group is principally engaged in the manufacturing of footwear and garment, the sportswear retail and brand licensing businesses, and other businesses including real estate development and hotel operation.

9. INFORMATION ON POU SHENG

Pou Sheng is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 2008 (stock code: 3813.HK). As at the Latest Practicable Date, Pou Sheng was indirectly held as to approximately 62.38% by Yue Yuen, which was in turn indirectly held as to approximately 49.99% by Pou Chen. The Pou Sheng Group is principally engaged in the retailing of sportswear and distribution of licensed products.

10. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with an equivalent number of Pou Sheng Shares to be issued to Pou Chen and/or its designated wholly-owned subsidiary(ies)) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

Pou Sheng does not intend to retain its listing on the Stock Exchange. Pou Sheng will apply to the Stock Exchange for the withdrawal of the listing of the Pou Sheng Shares on the Stock Exchange so that such withdrawal is to take place immediately following the Effective Date.

It is currently expected that dealings in the Pou Sheng Shares on the Main Board of the Stock Exchange will cease at 4:10 p.m. on Friday, April 20, 2018 and the listing of the Pou Sheng Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Friday, June 1, 2018. Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Pou Sheng Shares and the day on which the Scheme and the withdrawal of the listing of the Pou Sheng Shares will become effective.

11. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

The Proposal and the Scheme will lapse unless all of the Conditions are fulfilled or waived (as applicable) on or before May 30, 2018 (or such later date as Pou Chen and Pou Sheng may agree or, to the extent applicable, as the Bermuda Court may direct).

The listing of the Pou Sheng Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or if the Proposal otherwise lapses.

Under the relevant restrictions of the Takeovers Code relating to the making of subsequent offers, if the Proposal does not become unconditional or is withdrawn or lapses, none of Pou Chen and the Pou Chen Concert Parties nor any person who is subsequently acting in concert with any of them may, within 12 months from the date on which the Proposal is withdrawn or lapses, announce an offer or possible offer for Pou Sheng, except with the consent of the Executive.

12. REGISTRATION AND PAYMENT

12.1 Closure of the register of members of Pou Sheng

In order to determine the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme, the register of members of Pou Sheng will be closed from Saturday, May 19, 2018 onwards (or such other date as may be notified to the Scheme Shareholders by announcement). The Scheme Shareholders should ensure that their Pou Sheng Shares are registered or lodged for registration in their names or in the names of their nominees before the closure of the register of members of Pou Sheng. Pou Sheng's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12.2 Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of Pou Sheng as at the Scheme Record Date as soon as possible but in any event within seven Business Days following the Scheme becoming effective. On the basis that the Scheme becomes effective on Wednesday, May 30, 2018 (Bermuda time), cheques for payment of the Cancellation Price payable under the Scheme are expected to be dispatched on or before Friday, June 8, 2018. Unless indicated otherwise in writing to Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before the Effective Date, all such cheques will be sent by post (by airmail where appropriate) in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of Pou Sheng in respect of the joint holding. For Beneficial Owners that hold Scheme Shares through a nominee (other than HKSCC Nominees Limited), cheques made out in the name of the nominee will be sent by post in pre-paid envelopes addressed to the nominee. For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, cheques will be in envelopes addressed to and made available for collection by HKSCC Nominees Limited. Upon receipt of cheque, HKSCC Nominees Limited will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All such cheques will be posted at the risk of the addressees and other person(s) entitled thereto and none of Pou Chen, Pou Sheng, Citigroup, Anglo Chinese or any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of such cheques, Pou Chen shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in Pou Sheng's name with a licensed bank in Hong Kong selected by Pou Sheng.

Pou Sheng shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments from such monies of the sums payable to persons who satisfy Pou Sheng that they are respectively entitled thereto, provided that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, Pou Chen shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Wednesday, May 30, 2018 (Bermuda time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which Pou Chen may otherwise be, or claim to be, entitled against any such Scheme Shareholders.

12.3 Payment of the Option Cancellation Price to the Pou Sheng Optionholders

If the Option Offer becomes unconditional, the cash consideration under the Option Offer due to the Pou Sheng Optionholders who accept the Option Offer in accordance with the terms of the Option Offer will be paid by Pou Chen via wire payment to Pou Sheng's bank account for further distribution to Pou Sheng Optionholders seven Business Days following the closing date of the Option Offer.

Settlement of the Option Cancellation Price to which the Pou Sheng Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Pou Chen may otherwise be, or claim to be, entitled against any such Pou Sheng Optionholders.

13. OVERSEAS POU SHENG SHAREHOLDERS AND POU SHENG OPTIONHOLDERS

13.1 General

The making and implementation of the Proposal to the Scheme Shareholders and the Option Offer to the Pou Sheng Optionholders who are not residents in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and Pou Sheng Optionholders, respectively, are located. Such persons should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and overseas Pou Sheng Optionholders wishing to take any action in relation to the Proposal and the Option Offer respectively, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. The implementation of the Scheme in respect of the Scheme Shareholders and the acceptance of the Option Offer by the Pou Sheng Optionholders will be deemed to include a representation and warranty from such persons to Pou Chen and Pou Sheng and their respective advisers that those laws and regulatory requirements have been complied with.

Scheme Shareholders, Beneficial Owners and Pou Sheng Optionholders residing in jurisdictions other than Hong Kong should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequence under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdictions, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the acquisition, retention, disposal or otherwise with respect to the Pou Sheng Shares or the Pou Sheng Options, as the case may be. It is emphasized that none of Pou Chen, Pou Sheng, Citigroup, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Option Offer accepts any responsibility in relation to the above.

13.2 Overseas Pou Sheng Shareholders and Pou Sheng Optionholders in the United States

The Proposal relates to the shares of a Bermuda company listed in Hong Kong and is proposed to be made by means of a scheme of arrangement provided for under the laws of Bermuda. The Proposal is subject to the disclosure requirements and practices applicable in Bermuda to schemes of arrangement, which differ from the disclosure and other requirements of US securities laws. Financial information included in this Scheme Document has been prepared in accordance with Hong Kong Financial Reporting Standards and may not be comparable to the financial statements of US companies or companies whose financial statements are prepared in accordance with US Generally Accepted Accounting Principles, which differ in certain respects from Hong Kong Financial Reporting Standards.

It may be difficult for Scheme Shareholders or Pou Sheng Optionholders in the US to enforce their rights and any claim arising out of US federal securities laws, since Pou Chen and Pou Sheng are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. Scheme Shareholders or Pou Sheng Optionholders in the US may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

The receipt of cash pursuant to the Proposal or the Option Offer by Scheme Shareholders or Pou Sheng Optionholders, respectively, who are US taxpayers may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Scheme Shareholder and Pou Sheng Optionholder is encouraged to consult his, her or its independent professional adviser immediately regarding the tax consequences of acceptance of the Proposal or the Option Offer, respectively.

14. TAXATION

14.1 Certain material Hong Kong tax considerations

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Similarly, as the acceptance of the Option Offer and the payment of the cash consideration pursuant to the Option Offer does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance upon the acceptance of the Option Offer or the payment of the cash consideration pursuant to the Option Offer.

14.2 General

The Scheme Shareholders and the Pou Sheng Optionholders, whether in Hong Kong or in other jurisdictions, are encouraged to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme or the Option Offer and in particular, whether the receipt of the Cancellation Price under the Scheme or of the cash consideration under the Option Offer would make such Scheme Shareholder or Pou Sheng Optionholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasized that none of Pou Chen, Pou Sheng, Citigroup, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Option Offer accepts any responsibility in relation to any tax or other effects on, or liabilities of, any person in connection with the Proposal or the Option Offer in Hong Kong or any other jurisdiction.

15. COURT MEETING AND SGM

In accordance with the direction of the Bermuda Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification).

The SGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to, among other things, (i) the allotment and issue of one Pou Sheng Share to Pou Chen or its designated wholly-owned subsidiary; (ii) the reduction of the issued share capital of Pou Sheng by cancelling and extinguishing the Scheme Shares; and (iii) the allotment and issue of an equivalent number of Pou Sheng Shares immediately thereafter to Pou Chen and/or its designated wholly-owned subsidiary(ies).

At the Court Meeting, each holder of Scheme Shares (other than HKSCC Nominees Limited), present and voting either in person or by proxy, is entitled to vote all of the Scheme Shares registered in his/her/its name(s) either FOR the Scheme or AGAINST the Scheme, but not some FOR the Scheme and some AGAINST the Scheme.

Each holder of Scheme Shares is only entitled to submit one proxy form for the Court Meeting. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the proxy forms will not be accepted. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman of the Court Meeting shall have absolute discretion as to whether or not to accept those proxy forms.

All Scheme Shareholders will be entitled to attend the Court Meeting and vote on the Scheme. However, as the Pou Chen Concert Parties are not Disinterested Scheme Shareholders, their votes (representing approximately 62.76% of the total issued share capital of Pou Sheng as at the Latest Practicable Date) will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code, as set out in Condition (b) in the section headed "3. Conditions to the Proposal and the Scheme" above.

Both Mr. Lee and Ms. Tsai have indicated that each of them intends to, in respect of each of their own beneficial shareholdings (in the case of Mr. Lee only, if any of the Pou Sheng Shares is vested under the Pou Sheng Share Award Scheme), vote in favour of the resolution to approve the Scheme at the Court Meeting, and vote in favour of the special resolution to approve the implementation of the Scheme at the SGM.

Notwithstanding the Trustee's status as a Disinterested Scheme Shareholder, the rules of the Pou Sheng Share Award Scheme prohibit the Trustee from exercising the voting rights attached to the Pou Sheng Shares held by it under the Trust. Accordingly, the Trustee will abstain from voting at the Court Meeting and the SGM.

16. DIRECTORS' INTERESTS

Ms. Tsai is a director of Pou Chen, an executive director and the managing director of Yue Yuen and a non-executive director of Pou Sheng. As at the Latest Practicable Date, Ms. Tsai held (i) 19,523,000 Pou Sheng Shares (representing approximately 0.37% of the total issued share capital of Pou Sheng); and (ii) 4,177,900 Pou Chen Shares (representing approximately 0.14% of the total issued share capital of Pou Chen).

Mr. Chan is the chairman (being a director) of Pou Chen and an executive director of Yue Yuen. As at the Latest Practicable Date, Mr. Chan held 851,250 Pou Sheng Shares (representing approximately 0.016% of the total issued share capital of Pou Sheng).

Mr. Lee is an executive director and the chief executive officer of Pou Sheng. As at the Latest Practicable Date, Mr. Lee (i) had been awarded 1,000,000 Pou Sheng Shares (representing approximately 0.02% of the total issued share capital of Pou Sheng) as a selected participant under the Pou Sheng Share Award Scheme, of which 300,000 will vest on March 25, 2018 and 700,000 will vest on or after January 1, 2019; and (ii) was interested in 78,000 Yue Yuen Shares or underlying shares (representing approximately 0.005% of the total issued share capital of Yue Yuen).

Mr. Hsieh, Wuei-Jung is an independent non-executive director of Pou Sheng. As at the Latest Practicable Date, Mr. Hsieh, Wuei-Jung held 15,000 Pou Chen Shares (representing approximately 0.0005% of the total issued share capital of Pou Chen).

Save as disclosed above, none of the Pou Chen Directors or the Pou Sheng Directors have any direct or indirect interest in the Proposal or the Option Offer.

17. RECOMMENDATIONS

17.1 Recommendation of the Independent Financial Adviser

In the letter from Anglo Chinese, the Independent Financial Adviser, set out in this Scheme Document, Anglo Chinese has stated that having considered the principal factors and reasons set out in its letter, it considers the terms of the Proposal and the Option Offer to be fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned. Accordingly, Anglo Chinese has advised the Independent Board Committee to recommend (a) the Scheme Shareholders to vote in favor of the resolution to approve the Scheme at the Court Meeting; (b) the Pou Sheng Shareholders to vote in favor of the special resolution to approve the implementation of the Scheme at the SGM; and (c) the Pou Sheng Optionholders to accept the Option Offer.

Your attention is drawn to the advice and recommendation of Anglo Chinese in Part VI of this Scheme Document.

17.2 Recommendation of the Independent Board Committee

The Independent Board Committee, comprising all non-executive directors and independent non-executive directors of Pou Sheng who are not interested in the Proposal, namely, Mr. Li I-nan, Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue, has been established by the Pou Sheng Board to make a recommendation to the Scheme Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and as to voting and to the Pou Sheng Optionholders as to its views on acceptance of the Option Offer.

Ms. Tsai, a non-executive director of Pou Sheng, is a Pou Chen Concert Party, and is therefore not considered as independent for the purpose of giving advice or recommendation to the Disinterested Scheme Shareholders. Accordingly, Ms. Tsai has been precluded from joining the Independent Board Committee.

The Independent Board Committee, having considered (a) the reasons for, and benefits of, the Proposal and the Option Offer and their effects as set out in this Scheme Document; and (b) the terms of the Proposal and the Option Offer and having taken into account the advice of Anglo Chinese and in particular, the factors, reasons and recommendations set out in the letter from Anglo Chinese in Part VI of this Scheme Document, considers that the terms of the Proposal and the Option Offer are fair and reasonable so far as the Disinterested Scheme Shareholders and the Pou Sheng Optionholders are concerned.

Accordingly, the Independent Board Committee recommends that (a) the Scheme Shareholders vote in favor of the resolution to approve the Scheme at the Court Meeting; (b) the Pou Sheng Shareholders vote in favor of the special resolution to approve the implementation of the Scheme at the SGM; and (c) the Pou Sheng Optionholders accept the Option Offer.

Your attention is drawn to (i) the recommendation of the Independent Board Committee in Part V of this Scheme Document; and (ii) the letter from Anglo Chinese in Part VI of this Scheme Document which sets out the factors and reasons taken into account by Anglo Chinese in arriving at its advice to the Independent Board Committee.

18. ACTIONS TO BE TAKEN

18.1 Actions to be taken by Pou Sheng Shareholders

A **pink** form of proxy for use in connection with the Court Meeting and a **white** form of proxy for use in connection with the SGM are enclosed with copies of this Scheme Document sent to the Pou Sheng Shareholders.

If you are not able to attend the Court Meeting and/or the SGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the SGM, in accordance with the instructions printed on them respectively, and to deposit them at Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the **pink** form of proxy for use in connection with the Court Meeting should be lodged not later than 9:30 a.m. on Saturday, April 7, 2018. The **pink** form of proxy may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting. The **white** form of proxy for use in connection with the SGM must be lodged not later than 10:00 a.m. on Saturday, April 7, 2018. The completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the relevant meeting should you so wish. In such event, the authority of your proxy for that meeting will be deemed to be revoked.

Even if you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM. You are therefore strongly encouraged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

Voting at the Court Meeting and the SGM will be taken by poll.

If any Scheme Shareholder has questions concerning administrative matters, such as dates, documentation and procedures relating to the Proposal, please call (i) Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at +852 2862 8555; or (ii) the investor relations agency in connection with the Proposal, Newgate Communications, at +852 3589 6532 (English) or +852 3589 6539 (Chinese), between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays. This hotline cannot and will not provide advice on the merits of the Proposal or the Scheme or give financial or legal advice.

For the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the Pou Sheng Shareholders to attend and vote at the SGM, the register of members of Pou Sheng will be closed from Tuesday, April 3, 2018 to Monday, April 9, 2018 (both days inclusive) and, during such period, no transfer of Pou Sheng Shares will be effected.

In order to qualify to attend and vote at the Court Meeting and the SGM, all transfers accompanied by the relevant share certificates must be lodged with Pou Sheng's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, March 29, 2018.

An announcement will be made by Pou Sheng in relation to the results of the Court Meeting and the SGM, and if all of the requisite resolutions to approve and implement the Scheme are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the Court Hearing of the petition to sanction the Scheme, the Effective Date and the date of withdrawal of the listing of the Pou Sheng Shares on the Stock Exchange.

18.2 Actions to be taken by Beneficial Owners whose Pou Sheng Shares are deposited in CCASS

If you are a Beneficial Owner whose Pou Sheng Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you should, unless you are admitted to participate in CCASS as an Investor Participant:

(a) contact your broker, custodian, nominee or other relevant person who is, or has in turn deposited such Pou Sheng Shares with, a CCASS Participant regarding voting instructions to be given to such persons; or

(b) arrange for some or all of such Pou Sheng Shares to be withdrawn from CCASS and transferred into your own name, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

The procedures for voting by the Investor Participants and other CCASS Participants with respect to Pou Sheng Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "Operating Guide for Investor Participants", the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time.

18.3 Actions to be taken by Beneficial Owners whose Pou Sheng Shares are held by a Registered Owner other than HKSCC Nominees Limited

Except as required by law, no person shall be recognized by Pou Sheng as holding any Pou Sheng Shares on trust.

If you are a Beneficial Owner whose Pou Sheng Shares are registered in the name of a nominee, trustee, depositary or any other authorized custodian or third party (other than HKSCC Nominees Limited), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Pou Sheng Shares beneficially owned by you should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the SGM personally, you should:

(a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the SGM and for such purpose, the Registered Owner may appoint you as its proxy; or

(b) arrange for some or all of the Pou Sheng Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to attend and vote (in person or by proxy) at the Court Meeting and/or the SGM.

The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the SGM shall be in accordance with all relevant provisions in the bye-laws of Pou Sheng.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and should be lodged in the manner and before the latest time for lodging the relevant forms of proxy as described in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude the Registered Owner from attending and voting in person at the Court Meeting or the SGM. In such event, the authority of such proxy will be deemed to be revoked.

18.4 Action to be taken by Pou Sheng Optionholders

The Option Offer Letter is being sent to each Pou Sheng Optionholder, together with this Scheme Document and a Form of Option Offer Acceptance. Pou Sheng Optionholders may also access the Form of Option Offer Acceptance by downloading such document from www.pousheng.com. Any Pou Sheng Optionholder who wishes to accept the Option Offer must complete and return the duly completed and executed Form of Option Offer Acceptance to Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and marked "Pou Sheng International (Holdings) Limited – Option Offer" by not later than 4:00 p.m. on Wednesday, May 30, 2018 (or such other date and time as may be notified to the Pou Sheng Optionholders by or on behalf of Pou Chen). No acknowledgement of receipt of any Form of Option Offer Acceptance or any other document will be given.

Pou Sheng Optionholders are encouraged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter and in the Form of Option Offer Acceptance.

Any Pou Sheng Optionholder who tenders a validly completed and executed Form of Option Offer Acceptance to accept the Option Offer by the prescribed deadline will receive the Option Cancellation Price for each Pou Sheng Option which is tendered in acceptance of the Option Offer.

Any Pou Sheng Optionholder who does not accept the Option Offer will not receive any cash consideration under the Option Offer, and his/her Pou Sheng Options will be cancelled on the date immediately after the Effective Date for no consideration.

18.5 Court Hearing to sanction the Scheme

In accordance with the Bermuda Companies Act, if the resolutions are approved at the Court Meeting and the SGM, Pou Sheng must then make a further application to the Bermuda Court to sanction the Scheme. Pou Chen and Pou Sheng cannot complete the Proposal and the Scheme without obtaining this approval from the Bermuda Court.

The Court Hearing is expected to take place at 9:30 a.m. on Friday, May 4, 2018 (Bermuda time). In determining whether to exercise its discretion to sanction the Scheme, the Bermuda Court will determine, among other things, whether the Scheme is fair to the Scheme Shareholders. At the Court Hearing, the Bermuda Court may impose such conditions as it deems appropriate in relation to the Scheme, but may not impose any material changes without the joint consent of Pou Chen and Pou Sheng. Pou Sheng may consent on behalf of the Pou Sheng Shareholders to any modification of the Scheme which the Bermuda Court may think fit to approve or impose.

If the Bermuda Court sanctions the Scheme and if all the other Conditions of the Proposal are fulfilled or waived (as applicable), Pou Sheng intends to file the Bermuda Court order sanctioning the Scheme with the Registrar of Companies in Bermuda on Wednesday, May 30, 2018 (Bermuda time). This will cause the Scheme to become effective.

Scheme Shareholders (including any Beneficial Owners of such Pou Sheng Shares that give voting instructions to a custodian or clearing house that subsequently votes at the Court Meeting) should note that they will be entitled, but are not required, to appear at the Court Hearing expected to take place at 9:30 a.m. on Friday, May 4, 2018 (Bermuda time), at which Pou Sheng will seek, among other things, the sanction of the Scheme.

19. COSTS OF THE SCHEME

Pou Chen and Pou Sheng have agreed that all costs, charges and expenses of the advisers and counsels appointed by Pou Sheng, including the Independent Financial Adviser, will be borne by Pou Sheng, and all costs, charges and expenses of the advisers and counsels appointed by Pou Chen will be borne by Pou Chen, and Pou Chen and Pou Sheng will each bear its other costs, charges and expenses of the Scheme.

20. FURTHER INFORMATION

This Scheme Document will be dispatched to the Pou Sheng Shareholders and the Pou Sheng Optionholders at no cost to them. Sufficient copies of this Scheme Document will also be dispatched to CCASS Participants who hold Pou Sheng Shares (including, where applicable, Beneficial Owners of Pou Sheng Shares) at no cost to them.

In addition, electronic copies of this Scheme Document may be obtained free of charge from Pou Sheng's website at www.pousheng.com and the Stock Exchange's website at www.hkexnews.hk.

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this explanatory statement.

In addition to the documents available for inspection set out in Appendix II to this Scheme Document, Pou Sheng publishes its annual and interim reports, announcements and other corporate communications on its website at www.pousheng.com and on the Stock Exchange's website at www.hkexnews.hk. Information published by Pou Sheng on the Stock Exchange's website can be found on such website by reference to its stock code or stock name.

You should rely only on the information contained in this Scheme Document in order to vote your Pou Sheng Shares at the Court Meeting and the SGM or to decide whether or not to accept the Option Offer. None of Pou Chen, Pou Sheng, Citigroup, Anglo Chinese, any of their respective directors, officers, employees, agents, affiliates or advisers or any other person involved in the Proposal or the Option Offer has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

Pou Sheng Shareholders and potential investors of Pou Sheng should be aware that the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived (as applicable), and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Pou Sheng Shareholders and potential investors of Pou Sheng should therefore exercise caution when dealing in the securities of Pou Sheng. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

21. GENERAL

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

In case of any inconsistency between the explanatory statement in this Part VII of this Scheme Document and the Scheme set out in Appendix III to this Scheme Document, the Scheme shall prevail.

1. ADVISERS TO POU CHEN

Exclusive Financial Adviser to Pou Chen	Citigroup Global Markets Asia Limited 50th Floor, Champion Tower 3 Garden Road Central, Hong Kong
Legal Adviser to Pou Chen as to Hong Kong Law	Sullivan & Cromwell (Hong Kong) LLP 28th Floor, Nine Queen's Road Central Hong Kong
Legal Adviser to Pou Chen as to Taiwan Law	Baker McKenzie 15F, 168 Dunhua North Road Taipei 10548 Taiwan

2. ADVISERS TO POU SHENG

Independent Financial Adviser to the Independent Board Committee	Anglo Chinese Corporate Finance, Limited 40th Floor, Two Exchange Square 8 Connaught Place Central, Hong Kong
Legal Adviser to Pou Sheng as to Hong Kong Law	Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road Central, Hong Kong
Legal Adviser to Pou Sheng as to Bermuda Law	Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central, Hong Kong

1. FINANCIAL SUMMARY

The following summary financial information of the Pou Sheng Group for (i) the years ended December 31, 2014, 2015 and 2016; (ii) the six months ended June 30, 2017; and (iii) the nine months ended September 30, 2017 is extracted from, respectively, (a) the audited consolidated financial statements of the Pou Sheng Group as set forth in the 2014, 2015 and 2016 annual reports of Pou Sheng; (b) the unaudited condensed consolidated interim financial information of the Pou Sheng Group as set forth in the 2017 interim report of Pou Sheng; and (c) the unaudited consolidated results of the Pou Sheng Group for the nine months ended September 30, 2017 as set forth in the quarterly results announcement published by Pou Sheng on November 13, 2017.

The auditor's reports issued by Deloitte in respect of the Pou Sheng Group's audited consolidated financial statements for the years ended December 31, 2014, 2015 and 2016 did not contain any qualifications.

On November 14, 2016, Winning Team, an indirect wholly-owned subsidiary of Pou Sheng, acquired from Key International, an indirect wholly-owned subsidiary of Yue Yuen, the entire equity interests in PCG Bros for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000.00), as further discussed in Note 2 (pages I-14 to I-17) and Note 31 (page I-76) in section 2 and Note 2 (pages I-105 to I-107) in section 3 of this Appendix I to this Scheme Document. Save as disclosed above, there are no exceptional items because of size, nature or incidence that are required to be disclosed in the financial statements of the Pou Sheng Group for each of the three years ended December 31, 2014, 2015 and 2016.

Consolidated income statement

	Year ended December 31,			Six months ended June 30,	Nine months ended September 30,
	2014	2015	2016	2017	2017
	(Note)				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited and restated)	(audited and restated)	(audited)	(unaudited)	(unaudited)
Revenue	12,209,056	14,465,564	16,236,384	9,515,092	13,883,316
Profit before taxation	125,572	532,458	831,923	449,825	546,187
Income tax expense	(85,575)	(149,323)	(262,312)	(138,285)	(191,213)
Profit for the year/period	39,997	383,135	569,611	311,540	354,974
Attributable to:					
Owners of Pou Sheng	28,656	396,592	560,579	298,612	336,953
Non-controlling interests	11,341	(13,457)	9,032	12,928	18,021
Earnings per share:					
Basic *(RMB cents)*	0.53	7.45	10.72	5.73	6.47
Diluted *(RMB cents)*	0.53	7.42	10.61	5.68	6.41
Dividend:					
Interim	N/A	N/A	90,069	N/A	N/A
Final	N/A	N/A	92,667	N/A	N/A
Dividend per Pou Sheng Share *(HK$)*	N/A	N/A	0.04	N/A	N/A

Note: Starting from January 1, 2016, the Pou Sheng Group changed its presentation currency from US$ to RMB. Figures in the above consolidated income statement for the year ended December 31, 2014 have been converted from US$ to RMB at the exchange rate of US$1 to RMB6.1644 for reference only.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

In this section, the capitalized terms "Company" and "Group" refer to Pou Sheng and the Pou Sheng Group respectively.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000
Revenue	6	16,236,384	14,465,564	2,443,730	2,300,174
Cost of sales		(10,467,944)	(9,647,897)	(1,575,525)	(1,534,115)
Gross profit		5,768,440	4,817,667	868,205	766,059
Other operating income and gains (losses)	7(a)	228,178	121,002	34,342	19,247
Selling and distribution expenses		(4,415,748)	(3,724,350)	(664,612)	(592,213)
Administrative and other expenses		(656,714)	(615,360)	(98,841)	(97,865)
Operating profit		924,156	598,959	139,094	95,228
Finance costs		(61,881)	(54,766)	(9,314)	(8,709)
Finance income		11,367	18,234	1,711	2,900
Finance costs – net	7(b)	(50,514)	(36,532)	(7,603)	(5,809)
Share of results of an associate		(7,225)	(2,222)	(1,087)	(353)
Share of results of joint ventures		(4,691)	(6,157)	(706)	(979)
Other gains (losses)	7(c)	(29,803)	(21,590)	(4,486)	(3,433)
Profit before taxation		831,923	532,458	125,212	84,654
Income tax expense	8	(262,312)	(149,323)	(39,480)	(23,744)
Profit for the year	9	569,611	383,135	85,732	60,910
Attributable to:					
Owners of the Company		560,579	396,592	84,373	63,050
Non-controlling interests		9,032	(13,457)	1,359	(2,140)
		569,611	383,135	85,732	60,910
Earnings per share	12				
– Basic		RMB10.72 cents	RMB7.45 cents	US1.61 cents	US1.18 cents
– Diluted		RMB10.61 cents	RMB7.42 cents	US1.60 cents	US1.18 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Profit for the year	569,611	383,135	85,732	60,910
Other comprehensive income (expense)				
An item that will not be reclassified subsequently to profit or loss				
Exchange difference arising on translation to presentation currency	–	–	(51,241)	(46,222)
An item that may be reclassified subsequently to profit or loss				
Exchange difference arising on translation of foreign operations	7,551	2,072	81	(15)
Total comprehensive income for the year	577,162	385,207	34,572	14,673
Attributable to:				
Owners of the Company	565,969	398,182	33,340	17,447
Non-controlling interests	11,193	(12,975)	1,232	(2,774)
	577,162	385,207	34,572	14,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

	Notes	December 31, 2016 RMB'000	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000	December 31, 2016 US$'000	December 31, 2015 US$'000	January 1, 2015 US$'000
					(FOR INFORMATION PURPOSE ONLY)		
NON-CURRENT ASSETS							
Property, plant and equipment	13(a)	902,732	707,427	586,876	129,778	107,575	94,414
Deposit paid for acquisition of property, plant and equipment		55,224	9,006	11,655	7,939	1,369	1,875
Prepaid lease payments	13(b)	143,621	140,327	144,371	20,647	21,339	23,226
Rental deposits and prepayments		127,335	113,813	108,656	18,306	17,307	17,480
Intangible assets	14	614,678	657,401	704,924	88,367	99,968	113,405
Goodwill	15	532,450	545,748	536,210	76,545	84,523	82,977
Interest in an associate	17	–	10,411	12,633	–	1,451	2,022
Interests in joint ventures	18	51,791	67,061	58,188	7,446	10,035	9,292
Loans to joint ventures	18	17,500	47,500	107,203	2,516	7,223	17,246
Long-term loan receivable	20	–	–	50,000	–	–	8,044
Available-for-sale investments	21	2,156	1,999	–	310	304	–
Deferred tax assets	22	–	428	5,151	–	65	1,003
		2,447,487	2,301,121	2,325,867	351,854	351,159	370,984
CURRENT ASSETS							
Inventories	23	4,400,649	3,910,362	3,712,064	632,641	594,633	597,179
Trade and other receivables	24	2,412,346	2,104,757	1,965,674	346,797	320,061	316,228
Taxation recoverable		1,526	7,248	2,038	219	1,102	328
Pledged bank deposits	25(a)	–	5,997	–	–	912	–
Bank balances and cash	25(b)	482,635	297,182	271,907	69,384	45,191	43,743
		7,297,156	6,325,546	5,951,683	1,049,041	961,899	957,478
Assets classified as held for sale	26	299,133	–	–	43,004	–	–
		7,596,289	6,325,546	5,951,683	1,092,045	961,899	957,478

	Notes	December 31, 2016 RMB'000	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000	December 31, 2016 US$'000	December 31, 2015 US$'000	January 1, 2015 US$'000
					(FOR INFORMATION PURPOSE ONLY)		
CURRENT LIABILITIES							
Trade and other payables	27	2,006,378	2,069,832	1,283,328	288,438	315,428	206,856
Taxation payable		64,664	42,582	12,230	9,296	6,475	1,967
Bank borrowings	28	1,375,826	368,682	1,221,722	197,790	56,064	196,545
Consideration payable for acquisition of business		60,439	74,301	–	8,689	11,299	–
Bank overdrafts	25(c)	–	100,230	–	–	15,242	–
		3,507,307	2,655,627	2,517,280	504,213	404,508	405,368
Liabilities associated with assets classified as held for sale	26	230,309	–	–	33,109	–	–
		3,737,616	2,655,627	2,517,280	537,322	404,508	405,368
NET CURRENT ASSETS		3,858,673	3,669,919	3,434,403	554,723	557,391	552,110
TOTAL ASSETS LESS CURRENT LIABILITIES		6,306,160	5,971,040	5,760,270	906,577	908,550	923,094
NON-CURRENT LIABILITIES							
Consideration payable for acquisition of business		–	–	102,169	–	–	16,436
Deferred tax liabilities	22	172,649	183,310	195,108	24,820	27,875	31,388
		172,649	183,310	297,277	24,820	27,875	47,824
NET ASSETS		6,133,511	5,787,730	5,462,993	881,757	880,675	875,270

	Note	December 31, 2016 RMB'000	December 31, 2015 RMB'000 (restated)	January 1, 2015 RMB'000	December 31, 2016 US$'000	December 31, 2015 US$'000	January 1, 2015 US$'000
					(FOR INFORMATION PURPOSE ONLY)		
CAPITAL AND RESERVES							
Share capital	29	46,523	46,877	46,873	6,855	6,910	6,909
Reserves		6,057,008	5,695,497	5,325,611	870,593	866,868	853,797
Equity attributable to owners of the Company		6,103,531	5,742,374	5,372,484	877,448	873,778	860,706
Non-controlling interests		29,980	45,356	90,509	4,309	6,897	14,564
Total equity		6,133,511	5,787,730	5,462,993	881,757	880,675	875,270

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Equity attributable to owners of the Company														
	Share capital *RMB'000* *(Note 29)*	Share premium *RMB'000*	Special reserve *RMB'000* *(note (i))*	Other reserve *RMB'000* *(note (ii))*	Revaluation reserve *RMB'000* *(note (iii))*	Merger reserve *RMB'000* *(note (iv))*	Shares held under share award scheme *RMB'000*	Share award reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Non-distributable reserve *RMB'000* *(note (v))*	Translation reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At January 1, 2015	46,873	5,187,992	676,506	(1,445,655)	55,395	–	(7,304)	508	34,657	259,502	(20,077)	584,087	5,372,484	90,509	5,462,993
Exchange difference arising on translation of foreign operations (restated)	–	–	–	–	–	–	–	–	–	–	1,590	–	1,590	482	2,072
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	–	–	396,592	396,592	(13,457)	383,135
Total comprehensive income for the year (restated)	–	–	–	–	–	–	–	–	–	–	1,590	396,592	398,182	(12,975)	385,207
Purchase of shares under share award scheme	–	–	–	–	–	–	(69,107)	–	–	–	–	–	(69,107)	–	(69,107)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	2,494	102	–	–	–	2,596	–	2,596
Exercise of share options	4	736	–	–	–	–	–	–	(251)	–	–	–	489	–	489
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(32,178)	(32,178)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control (restated)	–	–	–	–	–	37,730	–	–	–	–	–	–	37,730	–	37,730
Transfer	–	–	–	–	–	–	–	–	–	42,936	–	(42,936)	–	–	–
At December 31, 2015 (restated)	46,877	5,188,728	676,506	(1,445,655)	55,395	37,730	(76,411)	3,002	34,508	302,438	(18,487)	937,743	5,742,374	45,356	5,787,730
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	5,390	–	5,390	2,161	7,551
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	560,579	560,579	9,032	569,611
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	5,390	560,579	565,969	11,193	577,162
Repurchase of own shares	(453)	(64,780)	–	–	–	–	–	–	–	–	–	–	(65,233)	–	(65,233)
Purchase of shares under share award scheme	–	–	–	–	–	–	(61,864)	–	–	–	–	–	(61,864)	–	(61,864)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	6,846	486	–	–	–	7,332	–	7,332
Exercise of share options	99	20,147	–	–	–	–	–	–	(7,038)	–	–	–	13,208	–	13,208
Dividends recognised as distribution *(Note 11)*	–	–	–	–	–	–	–	–	–	–	–	(90,069)	(90,069)	–	(90,069)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(26,569)	(26,569)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control	–	–	–	–	–	54,448	–	–	–	–	–	–	54,448	–	54,448
Consideration payable for acquiring subsidiaries under common control *(Note 2)*	–	–	–	–	–	(62,634)	–	–	–	–	–	–	(62,634)	–	(62,634)
Transfer	–	–	–	–	–	–	–	–	–	98,660	–	(98,660)	–	–	–
At December 31, 2016	46,523	5,144,095	676,506	(1,445,655)	55,395	29,544	(138,275)	9,848	27,956	401,098	(13,097)	1,309,593	6,103,531	29,980	6,133,511

(FOR INFORMATION PURPOSE ONLY)

	Equity attributable to owners of the Company														
	Share capital US$'000 (Note 29)	Share premium US$'000	Special reserve US$'000 (note (i))	Other reserve US$'000 (note (ii))	Revaluation reserve US$'000 (note (iii))	Merger reserve US$'000 (note (iv))	Shares held under share award scheme US$'000	Share award reserve US$'000	Share-based compensation reserve US$'000	Non-distributable reserve US$'000 (note (v))	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2015	6,909	758,792	96,269	(211,527)	8,108	–	(1,168)	82	5,219	38,878	97,392	61,752	860,706	14,564	875,270
Exchange difference arising on translation to presentation currency	–	–	–	–	–	–	–	–	–	–	(45,588)	–	(45,588)	(634)	(46,222)
Exchange difference arising on translation of foreign operations (restated)	–	–	–	–	–	–	–	–	–	–	(15)	–	(15)	–	(15)
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	–	–	63,050	63,050	(2,140)	60,910
Total comprehensive income for the year (restated)	–	–	–	–	–	–	–	–	–	–	(45,603)	63,050	17,447	(2,774)	14,673
Purchase of shares under share award scheme	–	–	–	–	–	–	(10,863)	–	–	–	–	–	(10,863)	–	(10,863)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	397	16	–	–	–	413	–	413
Realised on deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	(230)	230	–	–	–
Realised on deregistration of a joint venture	–	–	–	–	–	–	–	–	–	–	5	(5)	–	–	–
Realised on disposal of a joint venture	–	–	–	–	–	–	–	–	–	–	(538)	538	–	–	–
Exercise of share options	1	114	–	–	–	–	–	–	(40)	–	–	–	75	–	75
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,893)	(4,893)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control (restated)	–	–	–	–	–	6,000	–	–	–	–	–	–	6,000	–	6,000
Transfer	–	–	–	–	–	–	–	–	–	5,272	–	(5,272)	–	–	–
At December 31, 2015 (restated)	6,910	758,906	96,269	(211,527)	8,108	6,000	(12,031)	479	5,195	44,150	51,026	120,293	873,778	6,897	880,675
Exchange difference arising on translation to presentation currency	–	–	–	–	–	–	–	–	–	–	(51,114)	–	(51,114)	(127)	(51,241)
Exchange difference arising on the translation of foreign operation	–	–	–	–	–	–	–	–	–	–	81	–	81	–	81
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	84,373	84,373	1,359	85,732
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	(51,033)	84,373	33,340	1,232	34,572
Repurchase of own shares	(69)	(9,884)	–	–	–	–	–	–	–	–	–	–	(9,953)	–	(9,953)
Purchase of shares under share award scheme	–	–	–	–	–	–	(9,034)	–	–	–	–	–	(9,034)	–	(9,034)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	1,023	71	–	–	–	1,094	–	1,094
Realised on disposal of an associate	–	–	–	–	–	–	–	–	–	–	(721)	721	–	–	–
Exercise of share options	14	3,048	–	–	–	–	–	–	(1,065)	–	–	–	1,997	–	1,997
Dividends recognised as distribution *(Note 11)*	–	–	–	–	–	–	–	–	–	–	–	(12,948)	(12,948)	–	(12,948)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,820)	(3,820)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control	–	–	–	–	–	8,400	–	–	–	–	–	–	8,400	–	8,400
Consideration payable for acquiring subsidiaries under common control *(Note 2)*	–	–	–	–	–	(9,226)	–	–	–	–	–	–	(9,226)	–	(9,226)
Transfer	–	–	–	–	–	–	–	–	–	15,663	–	(15,663)	–	–	–
At December 31, 2016	6,855	752,070	96,269	(211,527)	8,108	5,174	(21,065)	1,502	4,201	59,813	(728)	176,776	877,448	4,309	881,757

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 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.

(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) The merger reserve represents the difference in the fair value of the consideration paid to Yue Yuen for the acquisition of subsidiaries controlled by Yue Yuen and the share capital and premium of the acquired subsidiaries.

(v) According to the relevant laws in the PRC, the subsidiaries of the Company established 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.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
OPERATING ACTIVITIES				
Profit before taxation	831,923	532,458	125,212	84,654
Adjustments for:				
Depreciation of property, plant and equipment	207,280	163,332	31,198	25,973
Release of prepaid lease payments	4,081	4,044	614	643
Amortisation of intangible assets	43,049	47,612	6,479	7,571
Reversal of allowance for inventories, net	(1,972)	(10,737)	(297)	(1,707)
Impairment loss recognised on trade receivables	18,872	74,242	2,840	11,805
Impairment loss recognised on other receivables	7,252	4,701	1,092	748
Interest expense	61,881	54,766	9,314	8,709
Interest income	(11,367)	(18,234)	(1,711)	(2,900)
Share of results of an associate	7,225	2,222	1,087	353
Share of results of joint ventures	4,691	6,157	706	979
Recognition of equity-settled share-based payments	7,332	2,596	1,094	413
Dividend income from an available-for-sale investment	(469)	–	(71)	–
Gain on disposal of a joint venture	–	(600)	–	(95)
Gain on disposal of an associate	(10,048)	–	(1,512)	–
Impairment loss on goodwill	14,047	–	2,114	–
Impairment losses on rental deposits and prepayments	9,928	–	1,495	–
Impairment losses on property, plant and equipment	2,512	–	378	–
Loss on disposal of property, plant and equipment	18,192	9,071	2,738	1,442
Impairment loss (reversal of impairment loss) recognised on interest in a joint venture	579	(15,030)	87	(2,390)
Impairment losses on loans to joint ventures	30,000	53,600	4,515	8,523
Impairment loss on consideration receivable for disposal of properties	–	16,000	–	2,544
Fair value gain on consideration payable for acquisition of business	(17,215)	(32,380)	(2,591)	(5,149)
Operating cash flows before movements in working capital	1,227,773	893,820	184,781	142,116
Increase in rental deposits and prepayments	(45,056)	(26,849)	(6,598)	(4,191)
Increase in inventories	(580,652)	(186,627)	(86,223)	(28,308)
Increase in trade and other receivables	(524,562)	(139,063)	(77,671)	(21,369)
Increase in trade and other payables	160,406	468,567	21,345	76,260
Cash generated from operations	237,909	1,009,848	35,634	164,508
Income tax paid	(249,332)	(131,309)	(37,481)	(20,921)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(11,423)	878,539	(1,847)	143,587

	Note	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000 (FOR INFORMATION PURPOSE ONLY)	2015 US$'000 (FOR INFORMATION PURPOSE ONLY)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(454,854)	(290,908)	(68,447)	(45,781)
Advance to non-controlling interest of a subsidiary		(90,000)	(90,000)	(13,546)	(13,686)
Deposit paid for acquisition of property, plant and equipment		(55,208)	(9,006)	(8,373)	(1,444)
Placement of pledged bank deposits		–	(5,997)	–	(912)
Additions of prepaid lease payments		(7,525)	–	(1,133)	–
Advance to a joint venture		(10,269)	–	(1,546)	–
Release of pledged bank deposits		5,997	–	903	–
Repayment of advance to a joint venture		14,300	6,103	2,152	928
Proceeds from disposal of property, plant and equipment		37,467	13,328	5,640	1,685
Interest received		11,367	18,234	1,711	2,900
Repayment of advance to non-controlling interest of a subsidiary		90,000	100,000	13,546	15,207
Placement of structured bank deposit		(1,850,000)	–	(278,443)	–
Release of structured bank deposit		1,850,000	–	278,443	–
Acquisition of business (net of cash and cash equivalents acquired)	31	–	(12,661)	–	(2,060)
Purchase of an available-for-sale investment		–	(1,971)	–	(317)
Deposit received for an asset held for sale		5,500	–	828	–
Proceeds from disposal of an associate		2,765	–	417	–
Dividends received from an available-for-sale investment		469	–	71	–
Repayment of long-term loan receivable		50,000	–	7,525	–
NET CASH USED IN INVESTING ACTIVITIES		(399,991)	(272,878)	(60,252)	(43,480)

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
FINANCING ACTIVITIES				
Repayment of bank borrowings	(2,193,711)	(2,573,552)	(330,869)	(410,400)
Repayment of advance from related and connected parties	(1,615,472)	(1,974,684)	(243,144)	(300,282)
Purchase of shares under share award scheme	(61,864)	(69,107)	(9,034)	(10,863)
Interest paid	(61,881)	(54,766)	(9,314)	(8,709)
Dividend paid to non-controlling interests of a subsidiary	(26,569)	(32,178)	(3,820)	(4,893)
Shares repurchased	(65,233)	–	(9,953)	–
Dividends paid	(92,111)	–	(12,948)	–
Proceeds from issue of shares upon exercise of share options	13,208	489	1,997	75
New bank borrowings raised	3,198,889	1,716,845	480,768	272,884
Advance from related and connected parties	1,613,479	2,264,684	242,844	344,381
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control	54,448	37,730	8,400	6,000
Consideration paid for acquiring subsidiaries under common control	(62,634)	–	(9,226)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	700,549	(684,539)	105,701	(111,807)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	289,135	(78,878)	43,602	(11,700)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5,930	3,923	(2,818)	(2,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	196,952	271,907	29,949	43,743
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	492,017	196,952	70,733	29,949

	Note	2016 RMB'000	2015 RMB'000 (restated)	2016 US$'000	2015 US$'000
				(FOR INFORMATION PURPOSE ONLY)	
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank balances and cash		482,635	297,182	69,384	45,191
Cash and cash equivalents included in assets classified as held for sale	26	9,382	–	1,349	–
Bank overdrafts		–	(100,230)	–	(15,242)
		492,017	196,952	70,733	29,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The immediate holding company is Major Focus, a private company incorporated in the BVI. The shares of an intermediate holding company of the Company, Yue Yuen, an exempted company incorporated in Bermuda with limited liability, are also listed on the Stock Exchange.

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

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

The Company is an investment holding company. The principal activities of the Group are set out in Note 6.

2. APPLICATION OF MERGER ACCOUNTING

On November 14, 2016, Winning Team, an indirect wholly-owned subsidiary of the Company, acquired from Key International, an indirect wholly-owned subsidiary of Yue Yuen, the entire equity interests in PCG Bros for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000.00). PCG Bros and its subsidiaries (collectively referred to as the "PCG Bros Group") are principally engaged in sports marketing and organisation of sports events in Taiwan.

The Group and PCG Bros Group are both under the control of Yue Yuen before and after the date of acquisition, and that control is not transitory. The Group and PCG Bros Group are regarded as continuing entities as at the date of business combinations and hence the acquisition has been accounted for as combination of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended December 31, 2015 and 2016 include the financial performance, changes in equity and cash flows of PCG Bros Group as if the current group structure upon the completion of the group reorganisation had been in existence throughout the years ended December 31, 2015 and 2016, or since their respective dates of incorporation or establishment where this is a shorter period. The consolidated statement of financial position of the Group as at December 31, 2015 has been restated to include the assets and liabilities of the companies comprising PCG Bros Group as if the current group structure had been in existence as at December 31, 2015.

The effects of all transactions between the Group and the PCG Bros Group, whether occurring before and after the acquisition, are eliminated in preparing the consolidated financial statements. The transaction costs for the acquisition were recognised as expenses in the consolidated income statement.

The effects of acquisition of PCG Bros Group using merger accounting on the consolidated income statement and consolidated statement of comprehensive income for the year ended December 31, 2015 are as follows:

	2015	Adjustments on merger accounting	Elimination	2015	2015	Adjustments on merger accounting	Elimination	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(originally stated)			(restated)	(FOR INFORMATION PURPOSES ONLY)			
Revenue	14,465,564	–	–	14,465,564	2,300,174	–	–	2,300,174
Cost of sales	(9,647,897)	–	–	(9,647,897)	(1,534,115)	–	–	(1,534,115)
Gross profit	4,817,667	–	–	4,817,667	766,059	–	–	766,059
Other operating income and gains (losses)	119,059	2,199	(256)	121,002	18,931	357	(41)	19,247
Selling and distribution expenses	(3,723,343)	(1,263)	256	(3,724,350)	(592,050)	(204)	41	(592,213)
Administrative and other expenses	(605,425)	(9,935)	–	(615,360)	(96,269)	(1,596)	–	(97,865)
Operating profit (loss)	607,958	(8,999)	–	598,959	96,671	(1,443)	–	95,228
Finance costs	(54,730)	(36)	–	(54,766)	(8,703)	(6)	–	(8,709)
Finance income	18,230	4	–	18,234	2,899	1	–	2,900
Finance costs – net	(36,500)	(32)	–	(36,532)	(5,804)	(5)	–	(5,809)
Share of results of an associate	(2,222)	–	–	(2,222)	(353)	–	–	(353)
Share of results of joint ventures	(6,157)	–	–	(6,157)	(979)	–	–	(979)
Other gains (losses)	(21,590)	–	–	(21,590)	(3,433)	–	–	(3,433)
Profit before taxation	541,489	(9,031)	–	532,458	86,102	(1,448)	–	84,654
Income tax expense	(149,323)	–	–	(149,323)	(23,744)	–	–	(23,744)
Profit (loss) for the year	392,166	(9,031)	–	383,135	62,358	(1,448)	–	60,910
Attributable to:								
Owners of the Company	405,623	(9,031)	–	396,592	64,498	(1,448)	–	63,050
Non-controlling interests	(13,457)	–	–	(13,457)	(2,140)	–	–	(2,140)
	392,166	(9,031)	–	383,135	62,358	(1,448)	–	60,910
	cents	*cents*	*cents*	*cents*	*cents*	*cents*	*cents*	*cents*
Earnings (loss) per share								
– Basic	RMB7.62	RMB(0.17)	RMB nil	RMB7.45	US1.21	US(0.03)	US nil	US1.18
– Diluted	RMB7.59	RMB(0.17)	RMB nil	RMB7.42	US1.21	US(0.03)	US nil	US1.18

	2015	Adjustments on merger accounting	Elimination	2015	2015	Adjustments on merger accounting	Elimination	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(originally stated)			(restated)	(FOR INFORMATION PURPOSES ONLY)			
Profit (loss) for the year	392,166	(9,031)	–	383,135	62,358	(1,448)	–	60,910
Other comprehensive income (expense)								
An item that will not be reclassified subsequently to profit or loss								
Exchange difference arising on translation to presentation currency	–	–	–	–	(46,222)	–	–	(46,222)
An item that may be reclassified subsequently to profit or loss								
Exchange difference arising on translation of foreign operations	1,564	508	–	2,072	–	(15)	–	(15)
Total comprehensive income (expense) for the year	393,730	(8,523)	–	385,207	16,136	(1,463)	–	14,673
Attributable to:								
Owners of the Company	406,705	(8,523)	–	398,182	18,910	(1,463)	–	17,447
Non-controlling interests	(12,975)	–	–	(12,975)	(2,774)	–	–	(2,774)
	393,730	(8,523)	–	385,207	16,136	(1,463)	–	14,673

The effects of acquisition of PCG Bros Group using merger accounting on the consolidated statement of financial position as at December 31, 2015 are as follows:

	December 31, 2015 RMB'000 (originally stated)	Adjustments on merger accounting RMB'000	Elimination RMB'000	December 31, 2015 RMB'000 (restated)	December 31, 2015 US$'000	Adjustments on merger accounting US$'000	Elimination US$'000	December 31, 2015 US$'000
					(FOR INFORMATION PURPOSES ONLY)			
ASSETS								
Property, plant and equipment	702,093	5,334	–	707,427	106,764	811	–	107,575
Deposit paid for acquisition of property, plant and equipment	8,957	49	–	9,006	1,362	7	–	1,369
Goodwill	536,210	9,538	–	545,748	82,977	1,546	–	84,523
Available-for-sale investments	–	1,999	–	1,999	–	304	–	304
Trade and other receivables	2,057,530	47,275	(48)	2,104,757	312,880	7,188	(7)	320,061
Bank balances and cash	284,132	13,050	–	297,182	43,207	1,984	–	45,191
Other assets	4,960,548	–	–	4,960,548	754,035	–	–	754,035
	8,549,470	77,245	(48)	8,626,667	1,301,225	11,840	(7)	1,313,058
LIABILITIES								
Trade and other payables	2,028,839	41,041	(48)	2,069,832	309,196	6,239	(7)	315,428
Bank borrowings	361,685	6,997	–	368,682	55,000	1,064	–	56,064
Other liabilities	400,423	–	–	400,423	60,891	–	–	60,891
	2,790,947	48,038	(48)	2,838,937	425,087	7,303	(7)	432,383
NET ASSETS	5,758,523	29,207	–	5,787,730	876,138	4,537	–	880,675
CAPITAL AND RESERVES								
Share capital	46,877	112	(112)	46,877	6,910	18	(18)	6,910
Reserves	5,666,290	29,095	112	5,695,497	862,331	4,519	18	866,868
Non-controlling interests	45,356	–	–	45,356	6,897	–	–	6,897
Total equity	5,758,523	29,207	–	5,787,730	876,138	4,537	–	880,675

The acquisition of PCG Bros Group using merger accounting did not have any impact on the consolidated statement of financial position as at January 1, 2015 as Yue Yuen obtained control over PCG Bros Group during the year ended December 31, 2015.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for annual periods beginning on or after January 1, 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2017.
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as FVTPL or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. recognition of bulk discount and sales return) as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of RMB1,461,233,000 (approximately US$210,067,000) as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Other than the above, the directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for the consideration payable for acquisition of business as at December 31, 2015 that was measured at fair value at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately for the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in an existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity (other reserve) and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment assessment, goodwill is allocated to each of the Group's cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A CGU (or group of CGU) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGU) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGU) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGU). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in the profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Rental income, including rentals invoiced in advance, from land and buildings under operating lease is recognised on a straight-line basis over the period of the respective leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Customer loyalty programmes

The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The consideration allocated to the award credits is measured by reference to their fair values (i.e. the amount for which the award credits could be sold separately).

The consideration allocated to award credits is recognised as revenue when award credits are redeemed and the Group fulfills its obligations to supply awards. The amount of revenue recognised is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

If at any time the unavoidable costs of meeting the obligations to supply the awards are expected to exceed the consideration received and receivable for them (i.e. the consideration allocated to the award credits at the time of the initial sale that has not yet been recognised as revenue plus any further consideration receivable when the customer redeems the award credits), the entity has onerous contracts. A liability shall be recognised for the excess in accordance with HKAS 37. The need to recognise such a liability could arise if the expected costs of supplying awards increase, for example if the entity revises its expectations about the number of award credits that will be redeemed.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy, if any. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to write off the cost of assets other than construction in progress less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful life, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Contingent rentals and concessionaire fees, which are not fixed but based on factors such as percentage of sales, are recognised as expenses in the periods in which they are incurred. Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state managed retirement benefit schemes and the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share option scheme

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of each reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated profits.

When the share options are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share-based compensation reserve will also be transferred to accumulated profits.

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares is reversed from the share award reserve. The difference arising from such transfer is debited/credited to accumulated profits. When share awards are forfeited after the vesting date, the amount previously recognised in share award reserve will be transferred to accumulated profits.

When the share awards are cancelled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The amount previously recognised in share award reserve will also be transferred to accumulated profits.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loans to joint ventures, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in "fair value changes on consideration payable for acquisition of business" under "other gains (losses)" in profit or loss. Fair value is determined in the manner described in Note 37(c).

Financial liabilities at amortised cost

Other financial liabilities, including trade and other payables, bank overdrafts, bank borrowings and consideration payable for acquisition of business are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Intangible assets with indefinite useful lives

The directors consider that the brand names, as set out in Note 14, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brand names are tested for impairment annually.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the CGUs to which goodwill and the intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 16. As at December 31, 2016, the carrying amounts of goodwill and intangible assets are RMB532,450,000 (approximately US$76,545,000) (2015: RMB545,748,000, as restated, (approximately US$84,523,000)) and RMB614,678,000 (approximately US$88,367,000) (2015: RMB657,401,000 (approximately US$99,968,000)), respectively.

(ii) Estimated impairment of interests in joint ventures

Management review the recoverable amounts of the Group's joint ventures. The amounts of the impairment losses in respect of each joint venture is measured as the difference between the carrying amounts of the joint ventures and their recoverable amounts. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) Impairment loss for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iv) Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise. As at December 31, 2016, the carrying amount of trade receivables is RMB1,292,686,000 (approximately US$185,838,000) (net of allowance for doubtful debts of RMB105,744,000 (approximately US$15,202,000)) (2015: carrying amount of RMB1,161,869,000 (approximately US$176,681,000), net of allowance for doubtful debts of RMB107,890,000 (approximately US$16,406,000)).

(v) Income taxes

As at December 31, 2016, the Group had unused tax losses of approximately RMB797.4 million or US$114.6 million (2015: approximately RMB1,076.2 million, as restated, or US$163.7 million) available for offset against future profits and no deferred tax asset has been recognised in respect of such tax losses of approximately RMB797.4 million or US$114.6 million due to the unpredictability of future profit streams. As at December 31, 2015, a deferred tax asset has been recognised in respect of such tax losses of approximately RMB1.7 million or US$0.3 million and no deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately RMB1,074.5 million, as restated, or US$163.4 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset arising from the unused tax losses is mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material provision or reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a provision or reversal takes place.

In addition, the Group provides deferred tax liabilities in relation to the earnings expected to be distributed from its subsidiaries and joint ventures in the PRC and overseas. Deferred tax liabilities have not been provided on the distributable profits of these entities if the Group plans to retain in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected, material tax liabilities will arise, which will be recognised in profit or loss in the period in which such profits are declared or the future development plan of the Group is vanished, whichever is earlier.

6. REVENUE AND SEGMENTAL INFORMATION

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

Revenue from major business products

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

	For the year ended December 31,			
	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Sales of sportswear and footwear products	16,131,960	14,358,879	2,428,013	2,283,210
Commissions from concessionaire sales	104,424	106,685	15,717	16,964
	16,236,384	14,465,564	2,443,730	2,300,174

Information about major customers

The directors are not aware of any customer that individually contributed over 10% of the consolidated revenue from external customers for the year.

Geographical information

The Group's operations are mainly located in the PRC.

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods and information about its non-current assets by geographical location of the assets.

	Revenue from external customers for the year ended December 31,			
	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
PRC	16,097,503	14,322,196	2,422,827	2,277,377
Hong Kong	12,993	7,723	1,956	1,228
Other locations	125,888	135,645	18,947	21,569
	16,236,384	14,465,564	2,443,730	2,300,174

	Non-current assets *(note)*			
	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
PRC	2,344,722	2,148,667	336,889	328,176
Hong Kong	4,120	1,309	593	199
Other locations	27,198	23,746	4,100	3,706
	2,376,040	2,173,722	341,582	332,081

note: Non-current assets exclude interests in an associate and joint ventures, financial instruments and deferred tax assets.

7. OTHER INCOME AND GAINS (LOSSES)

(a) Other operating income and gains (losses)

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Included in the balance is the following items:				
Subsidies, rebates and other income from suppliers	133,829	115,083	20,142	18,300
Net exchange gain	1,676	1,781	252	282
Dividend income from an available-for-sale investment	469	–	71	–
Loss on disposal of property, plant and equipment	(18,192)	(9,071)	(2,738)	(1,442)
Impairment loss recognised on trade receivables *(Note 24)*	(18,872)	(74,242)	(2,840)	(11,805)
Impairment loss recognised on other receivables	(7,252)	(4,701)	(1,092)	(748)

(b) Finance income and costs

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Interest expenses on:				
– bank overdrafts and bank borrowings	(50,285)	(45,352)	(7,569)	(7,212)
– advances from related parties	(11,596)	(9,414)	(1,745)	(1,497)
	(61,881)	(54,766)	(9,314)	(8,709)
Interest income from:				
– bank deposits	5,481	10,656	825	1,695
– advances to related parties	4,897	6,017	737	956
– advances to a former joint venture and third parties	989	1,561	149	249
	11,367	18,234	1,711	2,900
Finance costs, net	(50,514)	(36,532)	(7,603)	(5,809)

(c) Other gains (losses) arising other than operating activities

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Impairment losses on loans to joint ventures *(Note 18)*	(30,000)	(53,600)	(4,515)	(8,523)
Impairment loss on goodwill *(Notes 15 and 26)*	(14,047)	–	(2,114)	–
Impairment losses on property, plant and equipment *(Notes 13 and 26)*	(2,512)	–	(378)	–
Impairment losses on rental deposits and prepayments *(Note 26)*	(9,928)	–	(1,495)	–
Impairment loss on consideration receivable for disposal of properties	–	(16,000)	–	(2,544)
Gain on disposal of a joint venture *(Note 18)*	–	600	–	95
Gain on disposal of an associate *(Note 17)*	10,048	–	1,512	–
(Impairment loss) reversal of impairment loss recognised on interest in a joint venture *(note)*	(579)	15,030	(87)	2,390
Fair value gain on consideration payable for acquisition of business *(Note 37(c))*	17,215	32,380	2,591	5,149
	(29,803)	(21,590)	(4,486)	(3,433)

note: The impairment loss and reversal of impairment loss recognised have been determined based on the difference between the disposal proceeds and the carrying value of relevant joint venture.

8. INCOME TAX EXPENSE

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Taxation attributable to the Company and its subsidiaries:				
Current year:				
Hong Kong Profits Tax *(note i)*	–	–	–	–
PRC Enterprise Income Tax ("EIT") *(note ii)*	235,309	162,108	35,416	25,777
Overseas income tax *(note iii)*	752	1,264	113	201
	236,061	163,372	35,529	25,978
Under(over)provision in prior years:				
Hong Kong Profits Tax	4	–	1	–
PRC EIT	36,551	(7,440)	5,501	(1,183)
Overseas income tax	(15)	529	(2)	84
	36,540	(6,911)	5,500	(1,099)
Current tax charge – total	272,601	156,461	41,029	24,879
Deferred tax credit *(Note 22)*	(10,289)	(7,138)	(1,549)	(1,135)
	262,312	149,323	39,480	23,744

notes:

(i) Hong Kong

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

(ii) PRC

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

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

(iii) Overseas

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

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Profit before taxation	831,923	532,458	125,212	84,654
Tax at income tax rate of 25% *(note)*	207,981	133,115	31,303	21,164
Tax effect of share of results of an associate and joint ventures	2,979	2,095	448	333
Tax effect of expenses not deductible for tax purposes	36,746	49,874	5,531	7,932
Tax effect of income not taxable for tax purposes	(15,653)	(47,081)	(2,356)	(7,487)
Effect of tax holidays granted to PRC subsidiaries	(16,903)	(21,250)	(2,544)	(3,379)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,304	(2,095)	196	(333)
Effect of tax loss not recognised	69,485	52,198	10,458	8,302
Utilisation of tax losses previously not recognised	(67,751)	(19,037)	(10,197)	(3,027)
Under(over)provision of tax in prior years	36,540	(6,911)	5,500	(1,099)
Withholding income tax on unremitted earnings of overseas subsidiaries	7,584	8,415	1,141	1,338
Income tax expenses for the year	262,312	149,323	39,480	23,744

note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

9. PROFIT FOR THE YEAR

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Profit for the year has been arrived at after charging (crediting):				
Directors' and chief executives' emoluments *(Note 10)*	3,927	6,093	591	969
Retirement benefit scheme contributions, excluding directors and the chief executive	197,093	153,624	29,665	24,427
Equity-settled share-based payments, excluding directors and the chief executive	6,677	2,434	995	387
Other staff costs	1,499,285	1,241,420	225,664	197,404
Total staff costs	1,706,982	1,403,571	256,915	223,187
Auditor's remuneration	4,871	3,593	733	571
Depreciation of property, plant and equipment	207,280	163,332	31,198	25,973
Reversal of allowance for inventories, net	(1,972)	(10,737)	(297)	(1,707)
Release of prepaid lease payments	4,081	4,044	614	643
Amortisation of intangible assets (included in selling and distribution expenses)	43,049	47,612	6,479	7,571
Research and development expenditure recognised as an expense	360	295	54	47
Share of taxation of an associate (included in share of results of an associate)	–	233	–	37
Share of taxation of joint ventures (included in share of results of joint ventures)	(28)	75	(4)	12

For the years ended December 31, 2015 and 2016, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

10. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INTEREST OF DIRECTORS

(a) Directors' and chief executives' emoluments

Details of emoluments of each of the eight (2015: eight) individual directors for the year disclosed pursuant to the applicable Listing Rules and CO, are set out as follows:

	Fees	Salaries and other allowances	Bonus	Retirement benefit scheme contributions	Equity-settled share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000* *(note i)*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2016						
Executive directors:						
Kwan, Heh-Der *(note ii)*	–	2,445	–	15	655	3,115
Wu, Pan-Tsu	–	–	–	–	–	–
Non-executive directors:						
Tsai David, Nai Fung *(note iii)*	–	–	–	–	–	–
Tsai Patty, Pei Chun	–	–	–	–	–	–
Li I-nan	128	–	–	–	–	128
Independent non-executive directors:						
Chen, Huan-Chung	257	–	–	–	–	257
Hsieh, Wuei-Jung	257	–	–	–	–	257
Shan Xue	170	–	–	–	–	170
	812	2,445	–	15	655	3,927
For the year ended December 31, 2015						
Executive directors:						
Kwan, Heh-Der *(note ii)*	–	2,233	2,762	15	162	5,172
Wu, Pan-Tsu	–	70	–	–	–	70
Non-executive directors:						
Tsai David, Nai Fung *(note iii)*	–	–	–	–	–	–
Tsai Patty, Pei Chun	–	–	–	–	–	–
Li I-nan	122	–	–	–	–	122
Independent non-executive directors:						
Chen, Huan-Chung	243	–	–	–	–	243
Hsieh, Wuei-Jung	243	–	–	–	–	243
Shan Xue	243	–	–	–	–	243
	851	2,303	2,762	15	162	6,093

(FOR INFORMATION PURPOSE ONLY)

	Fees	Salaries and other allowances	Bonus	Retirement benefit scheme contributions	Equity-settled share-based payment	Total
	US$'000	*US$'000*	*US$'000* *(note i)*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2016						
Executive directors:						
Kwan, Heh-Der *(note ii)*	–	368	–	2	99	469
Wu, Pan-Tsu	–	–	–	–	–	–
Non-executive directors:						
Tsai David, Nai Fung *(note iii)*	–	–	–	–	–	–
Tsai Patty, Pei Chun	–	–	–	–	–	–
Li I-nan	19	–	–	–	–	19
Independent non-executive directors:						
Chen, Huan-Chung	39	–	–	–	–	39
Hsieh, Wuei-Jung	39	–	–	–	–	39
Shan Xue	25	–	–	–	–	25
	122	368	–	2	99	591
For the year ended December 31, 2015						
Executive directors:						
Kwan, Heh-Der *(note ii)*	–	355	439	2	26	822
Wu, Pan-Tsu	–	11	–	–	–	11
Non-executive directors:						
Tsai David, Nai Fung *(note iii)*	–	–	–	–	–	–
Tsai Patty, Pei Chun	–	–	–	–	–	–
Li I-nan	19	–	–	–	–	19
Independent non-executive directors:						
Chen, Huan-Chung	39	–	–	–	–	39
Hsieh, Wuei-Jung	39	–	–	–	–	39
Shan Xue	39	–	–	–	–	39
	136	366	439	2	26	969

notes:

(i) Bonus is recommended by the Remuneration Committee and is approved by the Board of Directors, having regard to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Kwan, Heh-Der resigned as an executive director and the chief executive officer of the Company on January 6, 2017. His emoluments disclosed above include those for services rendered by him as the chief executive officer for the years ended December 31, 2015 and 2016.

(iii) Mr. Tsai David, Nai Fung retired as a non-executive director on August 12, 2016.

(b) Emoluments of senior management

Of the five (2015: four) senior management of the Company for the year ended December 31, 2016, two (2015: two) of them were directors of the Company and their remuneration has been disclosed in Note 10(a). The emoluments of the remaining three (2015: two) individuals for the year are within the following bands:

	2016 Number of employees	**2015 Number of employees**
HK$500,001 to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
	3	2

(c) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended December 31, 2016, one (2015: one) was a director and the chief executive, and one (2015: one) was senior management of the Company whose emoluments are included in Notes 10(a) and 10(b) respectively. The emoluments of the remaining three (2015: three) individuals for the year are as follows:

	2016 *RMB'000*	**2015** *RMB'000*	**2016** *US$'000* (FOR INFORMATION PURPOSE ONLY)	**2015** *US$'000*
Salaries and other allowances	4,073	3,949	613	628
Bonus	2,150	1,503	324	239
Equity-settled share-based payment	538	251	81	40
	6,761	5,703	1,018	907

Their emoluments were within the following bands:

	2016 Number of employees	**2015 Number of employees**
HK$2,000,001 to HK$2,500,000	1	3
HK$2,500,001 to HK$3,000,000	2	–
	3	3

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and the chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the chief executive has waived any emoluments during both years.

(d) Transactions, arrangements or contracts in which directors of the Company have material interests

The Company and Yue Yuen entered into a framework agreement on August 29, 2014 together with a supplementary agreement on August 13, 2015, and a framework agreement on November 11, 2016, pursuant to which, the Company may, through its subsidiaries, purchase from Yue Yuen's subsidiaries, and/or any factories operated and/or appointed by members of the Yue Yuen's subsidiaries footwear products, for the period from April 7, 2014 to December 31, 2016 and for two years from January 1, 2017 to December 31, 2018, respectively, subject to the various annual caps. Details of relevant transactions are set out in Note 35(a).

During certain period in the year ended December 31, 2015, Mr. Tsai David, Nai Fung (retired on August 12, 2016) and Ms. Tsai Patty, Pei Chun were beneficiaries of trusts which hold shares in Yue Yuen. Mr. Kwan, Heh-Der (resigned on January 6, 2017) was interested in share awards of 45,000 shares in Yue Yuen which were vested and sold during the year.

11. DIVIDENDS

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Dividends recognised as distribution during the year:				
2016 Interim dividend of HK$0.02 per share (2015: nil)	90,069	–	12,948	–

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2016 of HK$0.02 (2015: nil) has been proposed by the directors and will be paid to the shareholders of the Company whose names appear on the register of members of the Company on Friday, June 2, 2017.

The proposed final dividend was approved by the shareholders at the annual general meeting on May 26, 2017.

12. EARNINGS PER SHARE

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

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Earnings:				
Earnings for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	560,579	396,592	84,373	63,050

	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,231,652,944	5,326,078,624
Effect of dilutive potential ordinary shares:		
– Share options	16,380,940	–
– Unvested awarded shares	33,690,061	20,965,261
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,281,723,945	5,347,043,885

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company (see Note 33(b)).

The computation of diluted earnings per share for the year ended December 31, 2015 did not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the shares during that period.

13. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

(a) Property, plant and equipment

	Leasehold land and buildings	Office and shopping mall buildings	Factory buildings and warehouses	Plant and machinery	Leasehold improvements	Furniture, fixture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST									
At January 1, 2015	58,523	84,037	348,520	35,969	923,600	166,872	20,382	–	1,637,903
Acquisition of business *(Note 31)* (restated)	–	–	–	–	998	1,799	119	–	2,916
Additions (restated)	–	10,407	–	208	242,231	46,157	3,560	–	302,563
Disposals	–	–	(3,378)	–	(88,541)	(37,010)	(1,251)	–	(130,180)
Exchange realignment (restated)	–	–	–	–	940	778	11	–	1,729
At December 31, 2015 (restated)	58,523	94,444	345,142	36,177	1,079,228	178,596	22,821	–	1,814,931
Additions	–	–	–	302	375,735	82,807	3,299	2,073	464,216
Disposals	–	–	(8,017)	(26)	(195,580)	(43,791)	(1,542)	–	(248,956)
Transfer to assets classified as held for sale *(Note 26)*	–	–	–	–	(51,332)	(13,851)	(865)	–	(66,048)
Exchange realignment	–	–	–	–	701	639	9	–	1,349
At December 31, 2016	58,523	94,444	337,125	36,453	1,208,752	204,400	23,722	2,073	1,965,492
DEPRECIATION AND IMPAIRMENT									
At January 1, 2015	12,258	12,306	132,086	34,425	724,776	123,041	12,135	–	1,051,027
Provided for the year (restated)	1,289	2,069	11,477	113	122,807	23,388	2,189	–	163,332
Eliminated on disposals	–	–	(2,361)	–	(73,020)	(31,683)	(717)	–	(107,781)
Exchange realignment (restated)	–	–	–	–	605	312	9	–	926
At December 31, 2015 (restated)	13,547	14,375	141,202	34,538	775,168	115,058	13,616	–	1,107,504
Provided for the year	1,196	2,231	9,097	116	164,103	27,211	3,326	–	207,280
Impairment loss recognised in profit or loss upon transfer to assets classified as held for sale *(Note 26)*	–	–	–	–	1,770	655	87	–	2,512
Transfer to assets classified as held for sale *(Note 26)*	–	–	–	–	(48,451)	(12,783)	(723)	–	(61,957)
Eliminated on disposals	–	–	(8,017)	(26)	(166,389)	(17,323)	(1,542)	–	(193,297)
Exchange realignment	–	–	–	–	472	239	7	–	718
At December 31, 2016	14,743	16,606	142,282	34,628	726,673	113,057	14,771	–	1,062,760
CARRYING VALUE									
At December 31, 2016	43,780	77,838	194,843	1,825	482,079	91,343	8,951	2,073	902,732
At December 31, 2015 (restated)	44,976	80,069	203,940	1,639	304,060	63,538	9,205	–	707,427

(FOR INFORMATION PURPOSE ONLY)

	Leasehold land and buildings	Office and shopping mall buildings	Factory buildings and warehouses	Plant and machinery	Leasehold improvements	Furniture, fixture and equipment	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST									
At January 1, 2015	9,596	13,497	56,262	5,479	147,230	27,513	3,279	–	262,856
Acquisition of business *(Note 31)* (restated)	–	–	–	–	165	286	19	–	470
Additions (restated)	–	1,649	–	33	37,846	7,562	566	–	47,656
Disposals	–	–	(521)	–	(14,319)	(5,392)	(199)	–	(20,431)
Exchange realignment (restated)	(699)	(784)	(3,256)	(11)	(6,808)	(2,810)	(194)	–	(14,562)
At December 31, 2015 (restated)	8,897	14,362	52,485	5,501	164,114	27,159	3,471	–	275,989
Additions	–	–	–	45	56,552	12,463	497	312	69,869
Disposals	–	–	(1,207)	(4)	(29,437)	(6,591)	(232)	–	(37,471)
Transfer to assets classified as held for sale *(Note 26)*	–	–	–	–	(7,380)	(1,991)	(124)	–	(9,495)
Exchange realignment	(483)	(786)	(2,813)	(300)	(10,078)	(1,655)	(202)	(14)	(16,331)
At December 31, 2016	8,414	13,576	48,465	5,242	173,771	29,385	3,410	298	282,561
DEPRECIATION AND IMPAIRMENT									
At January 1, 2015	1,976	1,957	21,443	5,235	115,955	19,923	1,953	–	168,442
Provided for the year (restated)	205	329	1,825	18	19,529	3,719	348	–	25,973
Eliminated on disposals	–	–	(521)	–	(11,611)	(5,038)	(134)	–	(17,304)
Exchange realignment (restated)	(121)	(100)	(1,275)	(1)	(5,995)	(1,109)	(96)	–	(8,697)
At December 31, 2015 (restated)	2,060	2,186	21,472	5,252	117,878	17,495	2,071	–	168,414
Provided for the year	180	336	1,369	17	24,699	4,096	501	–	31,198
Impairment loss recognised in profit or loss upon transfer to assets classified as held for sale *(Note 26)*	–	–	–	–	266	99	13	–	378
Transfer to assets classified as held for sale *(Note 26)*	–	–	–	–	(6,965)	(1,838)	(104)	–	(8,907)
Eliminated on disposals	–	–	(1,207)	(4)	(25,043)	(2,607)	(232)	–	(29,093)
Exchange realignment	(121)	(135)	(1,179)	(287)	(6,368)	(992)	(125)	–	(9,207)
At December 31, 2016	2,119	2,387	20,455	4,978	104,467	16,253	2,124	–	152,783
CARRYING VALUE									
At December 31, 2016	6,295	11,189	28,010	264	69,304	13,132	1,286	298	129,778
At December 31, 2015 (restated)	6,837	12,176	31,013	249	46,236	9,664	1,400	–	107,575

In the opinion of the directors, the leasehold land and building element of certain of the Group's properties in the PRC cannot be allocated reliably. Accordingly, they are presented on a combined basis as leasehold land and buildings above.

All buildings, office and shopping mall buildings and factory buildings and warehouses are erected on land with medium-term land use rights in the PRC.

The shopping mall buildings are held mainly for the Group's Retail Business.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings/office and shopping mall buildings/ factory buildings and warehouses	2%–3%
Plant and machinery	5%–15%
Leasehold improvements	10%–50%
Furniture, fixture and equipment	20%–30%
Motor vehicles	20%–30%

(b) Prepaid lease payments

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
The carrying amount of the Group's prepaid lease payments are analysed as follows:				
Non-current assets	143,621	140,327	20,647	21,339
Current assets (included in trade and other receivables)	4,194	4,044	603	615
	147,815	144,371	21,250	21,954

14. INTANGIBLE ASSETS

	Customer relationship	Brand names	Licensing agreements	Non-compete agreements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At January 1, 2015	53,404	467,340	99,584	444,843	1,065,171
Exchange realignment	–	–	99	–	99
At December 31, 2015	53,404	467,340	99,683	444,843	1,065,270
Exchange realignment	–	–	431	–	431
At December 31, 2016	53,404	467,340	100,114	444,843	1,065,701
AMORTISATION AND IMPAIRMENT					
At January 1, 2015	30,810	59,559	22,285	247,593	360,247
Provided for the year	6,179	–	10,060	31,373	47,612
Exchange realignment	–	–	10	–	10
At December 31, 2015	36,989	59,559	32,355	278,966	407,869
Provided for the year	6,179	–	10,079	26,791	43,049
Exchange realignment	–	–	105	–	105
At December 31, 2016	43,168	59,559	42,539	305,757	451,023
CARRYING VALUE					
At December 31, 2016	10,236	407,781	57,575	139,086	614,678
At December 31, 2015	16,415	407,781	67,328	165,877	657,401

(FOR INFORMATION PURPOSE ONLY)

	Customer relationship	Brand names	Licensing agreements	Non-compete agreements	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST					
At January 1, 2015	8,592	75,183	16,021	71,564	171,360
Exchange realignment	(471)	(4,117)	(863)	(3,918)	(9,369)
At December 31, 2015	8,121	71,066	15,158	67,646	161,991
Exchange realignment	(444)	(3,881)	(765)	(3,695)	(8,785)
At December 31, 2016	7,677	67,185	14,393	63,951	153,206
AMORTISATION AND IMPAIRMENT					
At January 1, 2015	4,956	9,581	3,585	39,833	57,955
Provided for the year	983	–	1,600	4,988	7,571
Exchange realignment	(314)	(525)	(265)	(2,399)	(3,503)
At December 31, 2015	5,625	9,056	4,920	42,422	62,023
Provided for the year	930	–	1,517	4,032	6,479
Exchange realignment	(349)	(494)	(322)	(2,498)	(3,663)
At December 31, 2016	6,206	8,562	6,115	43,956	64,839
CARRYING VALUE					
At December 31, 2016	1,471	58,623	8,278	19,995	88,367
At December 31, 2015	2,496	62,010	10,238	25,224	99,968

All of the intangible assets were valued as of the respective dates of acquisitions by American Appraisal China Limited, or APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation"), firms of professional valuers, on the following basis:

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

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

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

The brand names are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to the generation of net cash inflows to the Group indefinitely. They are tested for impairment annually and whenever there is an indication that they may have been impaired. Particulars of the impairment assessment are set out in Note 16.

15. GOODWILL

	RMB'000	US$'000 (FOR INFORMATION PURPOSE ONLY)
COST		
At January 1, 2015	536,210	82,977
Arising on acquisition of business *(Note 31)* (restated)	9,523	1,546
Exchange realignment (restated)	15	–
At December 31, 2015 (restated)	545,748	84,523
Transfer to assets classified as held for sale *(Note 26)*	(14,047)	(2,101)
Exchange realignment	749	(5,877)
At December 31, 2016	532,450	76,545
ACCUMULATED IMPAIRMENT		
At January 1, 2015 and December 31, 2015	–	–
Impairment loss for the year *(Note 26)*	14,047	2,114
Transfer to assets classified as held for sale *(Note 26)*	(14,047)	(2,101)
Exchange realignment	–	(13)
At December 31, 2016	–	–
CARRYING VALUE		
At December 31, 2016	532,450	76,545
At December 31, 2015 (restated)	545,748	84,523

Particulars regarding impairment assessment on goodwill are detailed in Note 16.

16. IMPAIRMENT ASSESSMENT ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment assessment, brand names with indefinite useful lives of the Group as set out in Note 14 are allocated to the CGUs of Retail Business that are expected to benefit from the brand names to generate future economic benefits. The carrying amount of the brand names at the end of the reporting period allocated to these units are as follows:

	Brand names			
	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Retail Business:				
– Chains of stores mainly in Northern China, the PRC ("Unit A")	157,086	157,086	22,583	23,888
– Chains of stores mainly in Zhejiang Province, the PRC ("Unit B")	250,695	250,695	36,040	38,122
	407,781	407,781	58,623	62,010

For the purpose of impairment assessment, goodwill of the Group as set out in Note 15 is allocated to Retail Business as a group of CGUs.

The basis of recoverable amount of each of Units A, B and the group of CGUs in the Retail Business has been determined based on the higher of its value in use calculation and fair value less cost of disposal (which can be referenced to disposal proceeds from anticipated disposal of the entity forming the CGUs), and assessed by the management as at December 31, 2015 and 2016.

These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and discount rates of 13% (2015: 14%), determined by independent valuers using the Capital Assets Pricing Model, for each of the CGU of Units A, B and the group of CGUs in the Retail Business. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2015: 3%) for all of the above CGUs. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumption for the value in use calculation relates to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount.

None of (i) goodwill allocated to Retail Business as a group of CGUs, nor (ii) brand names allocated to Units A and B had suffered any impairment during the years ended December 31, 2015 or 2016, except for an impairment loss of RMB14,047,000 (approximately US$2,114,000) was recognised on goodwill that is allocated to the group of CGUs in the Retail Business and related to the disposal group classified as held for sale as set out in Note 26 for the year ended December 31, 2016, which is determined by reference to the expected disposal proceeds from the buyer from its anticipated disposal.

17. INTEREST IN AN ASSOCIATE

	2015	**2015**
	RMB'000	*US$'000* (FOR INFORMATION PURPOSE ONLY)
Cost of unlisted investment in an associate	29,400	3,917
Share of post-acquisition results, net of dividends received	(9,689)	(1,571)
Share of post-acquisition reserves	–	605
Impairment losses	(9,300)	(1,500)
	10,411	1,451

As at December 31, 2015, the Group's associate was 浙江寶宏體育用品有限公司 Zhejiang Baohong Sports Goods Company Limited ("Zhejiang Baohong").

Particulars of Zhejiang Baohong at the end of the reporting period are as follows:

Name of entity	Form of entity	Country of establishment/ operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company		Proportion of voting rights held by the Group		Principal activities
				2016	2015	2016	2015	
Zhejiang Baohong	Sino-foreign enterprise	PRC	Ordinary	*(note)*	49%	*(note)*	49%	Retailing of sportswear

note: In August 2016, the Group disposed of the entire interest in Zhejiang Baohong to the previous joint venture partner at a consideration of RMB13,234,000 (approximately US$1,992,000) and recognised a gain on disposal of RMB10,048,000 (approximately US$1,512,000), calculated as the difference between the net disposal proceeds and the carrying amount of the associate.

Summarised financial information of Zhejiang Baohong, which is not individually material, is set out below. The summarised financial information below represents amount shown in Zhejiang Baohong's financial statements prepared in accordance with HKFRSs.

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
The Group's share of:				
Loss for the year	(7,225)	(2,222)	(1,087)	(353)
Other comprehensive income (expense)	–	–	116	(218)
Total comprehensive expense	(7,225)	(2,222)	(971)	(571)

18. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Cost of unlisted investments in joint ventures *(note i)*	100,927	116,927	14,462	16,594
Share of post-acquisition profits, net of dividends received	(27,190)	(27,920)	(5,800)	(6,368)
Share of post-acquisition reserves	–	–	2,284	3,309
Impairment losses	(21,946)	(21,946)	(3,500)	(3,500)
	51,791	67,061	7,446	10,035
Loans to joint ventures *(note ii)*	17,500	47,500	2,516	7,223

In November 2015, the Group disposed of the entire interest in a joint venture to the previous joint venture partner for proceeds of RMB600,000 (approximately US$95,000) and recognised a gain on disposal of RMB600,000 (approximately US$95,000), calculated as the difference between the net disposal proceeds and the carrying amount of the joint venture.

notes:

(i) Included in cost of investments in joint ventures as at January 1, 2015, December 31, 2015 and 2016 was goodwill of RMB13,932,000 (approximately US$2,119,000) arising from the acquisition of a joint venture in prior years.

(ii) The loans to joint ventures are secured by the equity interests in the relevant joint ventures held by the other joint venture partners, interest bearing at the prevailing lending rate of People's Bank of China ("PBOC") and have no fixed terms of repayment. Before offering any new loans to joint ventures, the Group assesses the joint ventures' credit qualities and the intended usages of the loans by the joint ventures. The recoverability of the loans is reviewed throughout the tenure of the loans.

Included in the carrying amount of loans to joint ventures as at December 31, 2016 were impairment losses of RMB30,000,000 (approximately US$4,515,000) (2015: RMB53,600,000 (approximately US$8,523,000)) made during the year where there is objective evidence as observed by the directors that, as a result of (i) the Group's past experience of collecting payments, (ii) significant financial difficulty of the joint ventures and/or (iii) it becoming probable that the joint venture will enter winding up respectively, estimated future cash flows have been affected and the recoverability of cash flows have been reduced. Other than the above, no provision for impairment loss for other outstanding balance as at the end of the reporting period was considered necessary since there has been no past default history in respect of other joint ventures and the directors considers these counterparties are of good credit qualities based on their regular assessments. The loans are not expected to be repaid within one year and are classified as non-current.

The Group's material joint venture at the end of the reporting period is Sky Grace Investments Limited ("Sky Grace"). All of the Group's joint ventures are accounted for using equity method in these consolidated financial statements. Details of the Group's material joint venture at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation or establishment/ operation	Class of shares held	Proportion of issued and fully paid up capital indirectly held by the Company		Proportion of voting rights held by the Group		Principal activity
				2016	2015	2016	2015	
Sky Grace	Limited liability	Hong Kong	Ordinary	50%	50%	50%	50%	Investment holding

Under the relevant shareholders' agreements, decisions on certain matters of these entities require unanimous consent from all of the relevant joint venture partners. In the opinion of the directors of the Company, these certain matters relate to the activities that significantly affect the returns of each of these entities. Accordingly, neither the Group nor the other relevant joint venture partners has the ability to control the respective entities unilaterally and each of these entities is therefore considered as jointly controlled by the Group and the relevant joint venture partners. Therefore, the above entities are accounted for as joint ventures of the Group.

The above table lists the joint venture of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Summarised financial information in respect of each of the Group's material joint venture and the aggregate of other joint ventures is set out below. The summarised financial information below represents amount shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

	2016			2015		
	Sky Grace	Others	Total	Sky Grace	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial information of consolidated income statement and consolidated statement of comprehensive income						
Revenue	226,053	389,837	615,890	230,931	809,720	1,040,651
Profit (loss) for the year	234	(29,642)	(29,408)	(4,473)	(7,188)	(11,661)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income (expense) for the year	234	(29,642)	(29,408)	(4,473)	(7,188)	(11,661)
Profit (loss) for the year, attributable to the Group	117	(4,808)	(4,691)	(2,237)	(3,920)	(6,157)
Other comprehensive income for the year, attributable to the Group	–	–	–	–	–	–
Total comprehensive income (expense) for the year, attributable to the Group	117	(4,808)	(4,691)	(2,237)	(3,920)	(6,157)
Dividends received from joint ventures during the year	–	–	–	–	–	–
The above financial information include the following:						
Depreciation and amortisation	(2,953)	(5,161)	(8,114)	(2,736)	(10,247)	(12,983)
Interest income	88	39	127	164	548	712
Interest expense	(261)	(3,878)	(4,139)	(517)	(6,127)	(6,644)
Income tax credit (expense)	–	55	55	–	(32)	(32)

(FOR INFORMATION PURPOSE ONLY)

	2016			2015		
	Sky Grace	**Others**	**Total**	**Sky Grace**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial information of consolidated income statement and consolidated statement of comprehensive income						
Revenue	34,023	58,674	92,697	36,720	128,754	165,474
Profit (loss) for the year	35	(4,461)	(4,426)	(711)	(1,143)	(1,854)
Other comprehensive (expense) income for the year	(671)	791	120	(544)	(77)	(621)
Total comprehensive expense for the year	(636)	(3,670)	(4,306)	(1,255)	(1,220)	(2,475)
Profit (loss) for the year, attributable to the Group	18	(724)	(706)	(356)	(623)	(979)
Other comprehensive (expense) income for the year, attributable to the Group	(335)	60	(275)	(272)	(396)	(668)
Total comprehensive expense for the year, attributable to the Group	(317)	(664)	(981)	(628)	(1,019)	(1,647)
Dividends received from joint ventures during the year	–	–	–	–	–	–
The above financial information include the following:						
Depreciation and amortisation	(444)	(777)	(1,221)	(435)	(1,629)	(2,064)
Interest income	13	6	19	26	87	113
Interest expense	(39)	(584)	(623)	(82)	(974)	(1,056)
Income tax credit (expense)	–	8	8	–	(5)	(5)

	2016			2015		
	Sky Grace	**Others**	**Total**	**Sky Grace**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial information of consolidated statement of financial position						
Non-current assets	3,950	7,560	11,510	3,701	8,993	12,694
Current assets	116,312	338,870	455,182	124,394	524,963	649,357
Current liabilities	(59,424)	(343,174)	(402,598)	(67,491)	(395,901)	(463,392)
Non-current liabilities	–	(40,000)	(40,000)	–	(123,999)	(123,999)
Net assets (liabilities) of the joint ventures	60,838	(36,744)	24,094	60,604	14,056	74,660
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	6,189	5,628	11,817	4,595	24,871	29,466
Current financial liabilities (excluding trade and other payables and provisions)	–	(125,235)	(125,235)	(11,844)	(73,672)	(85,516)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(40,000)	(40,000)	–	(123,999)	(123,999)
Reconciliation to the carrying amounts of interest in the joint ventures:						
Net assets (liabilities) attributable to the equity holders of the joint ventures	60,838	(36,744)	24,094	60,604	14,056	74,660
Proportion of the Group's ownership interests in the joint ventures	50%	50%	50%	50%	50%	50%
Net assets of interests in joint ventures attributable to the Group	30,419	29,386	59,805	30,302	44,773	75,075
Goodwill	13,932	–	13,932	13,932	–	13,932
Impairment losses of interests in joint ventures	(3,946)	(18,000)	(21,946)	(3,946)	(18,000)	(21,946)
Carrying amount of the Group's interests in the joint ventures	40,405	11,386	51,791	40,288	26,773	67,061

(FOR INFORMATION PURPOSE ONLY)

	2016			2015		
	Sky Grace	**Others**	**Total**	**Sky Grace**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial information of consolidated statement of financial position						
Non-current assets	568	1,087	1,655	563	1,367	1,930
Current assets	16,721	48,716	65,437	18,916	79,829	98,745
Current liabilities	(8,709)	(48,803)	(57,512)	(10,263)	(60,203)	(70,466)
Non-current liabilities	–	(5,750)	(5,750)	–	(18,856)	(18,856)
Net assets (liabilities) of the joint ventures	8,580	(4,750)	3,830	9,216	2,137	11,353
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	890	809	1,699	699	3,782	4,481
Current financial liabilities (excluding trade and other payables and provisions)	–	(18,003)	(18,003)	(1,801)	(11,203)	(13,004)
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(5,750)	(5,750)	–	(18,856)	(18,856)
Reconciliation to the carrying amounts of interest in the joint ventures:						
Net assets (liabilities) attributable to the equity holders of the joint ventures	8,580	(4,750)	3,830	9,216	2,137	11,353
Proportion of the Group's ownership interests in the joint ventures	50%	50%	50%	50%	50%	50%
Net assets of interests in joint ventures attributable to the Group	4,290	4,537	8,827	4,608	6,808	11,416
Goodwill	2,119	–	2,119	2,119	–	2,119
Impairment losses of interests in joint ventures	(600)	(2,900)	(3,500)	(600)	(2,900)	(3,500)
Carrying amount of the Group's interests in the joint ventures	5,809	1,637	7,446	6,127	3,908	10,035

The unrecognised share of loss of joint ventures is as follow:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
The unrecognised share of loss of joint ventures for the year	10,013	2,107	1,172	335
Cumulative unrecognised share of loss of joint ventures	47,758	37,745	6,912	5,740

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group in form of cash dividends or to repay loans or advances made by the Group.

19. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

At the end of the reporting period, the composition of the Company's subsidiaries are as follows. Majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Country/ place of incorporation	Principal country/ place of business	Number of subsidiaries 2016	2015 (restated)
Retailing of sportswear	PRC	PRC	50	38
	Hong Kong	Hong Kong	1	1
	Taiwan	Taiwan	–	1
Property leasing and management	PRC	PRC	6	6
Distribution of licenced products	PRC	PRC	1	1
	Taiwan	Taiwan	2	2
Manufacturing of sportswear	PRC	PRC	2	3
Marketing of sports apparel	Taiwan	Taiwan	1	1
Investment holding	PRC	PRC	2	3
	Hong Kong	Hong Kong	7	8
	BVI	Hong Kong	14	14
	BVI	Taiwan	1	1
			87	79

Particulars of the Company's principal subsidiaries as at December 31, 2016 are set out in Note 38.

(b) Details of non-wholly-owned subsidiaries that have material non-controlling interests

The Company's non-wholly-owned subsidiaries that have material non-controlling interests at the end of the reporting period include Profit Concept (as defined in Note 38), which was reclassified to disposal group classified as held for sale as set out in Note 26, and Qingdao Pou Sheng (as defined in Note 38). The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Country of establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
								(FOR INFORMATION PURPOSE ONLY)			
Profit Concept	PRC	49%	49%	(5,891)	(22,540)	29,213	35,104	(887)	(3,584)	4,200	5,022
Qingdao Pou Sheng	PRC	28%	28%	21,638	17,556	26,838	31,769	3,257	2,792	3,858	4,823
Individually immaterial subsidiaries with non-controlling interests				(6,715)	(8,473)	(26,071)	(21,517)	(1,011)	(1,348)	(3,749)	(2,948)
Total				9,032	(13,457)	29,980	45,356	1,359	(2,140)	4,309	6,897

Summarised financial information in respect of the Company's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2016		2015		2016		2015	
	Profit Concept	**Qingdao Pou Sheng**	**Profit Concept**	**Qingdao Pou Sheng**	**Profit Concept**	**Qingdao Pou Sheng**	**Profit Concept**	**Qingdao Pou Sheng**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(FOR INFORMATION PURPOSE ONLY)			
Financial information of consolidated income statement and consolidated statement of comprehensive income								
Revenue	597,555	918,702	563,175	724,166	89,938	138,273	89,551	115,150
Expenses and income tax	(609,578)	(841,424)	(609,174)	(661,466)	(91,748)	(126,642)	(96,865)	(105,180)
(Loss) profit for the year	(12,023)	77,278	(45,999)	62,700	(1,810)	11,631	(7,314)	9,970
(Loss) profit for the year, attributable to								
– owners of the Company	(6,132)	55,640	(23,459)	45,144	(923)	8,374	(3,730)	7,178
– non-controlling interests	(5,891)	21,638	(22,540)	17,556	(887)	3,257	(3,584)	2,792
	(12,023)	77,278	(45,999)	62,700	(1,810)	11,631	(7,314)	9,970
Other comprehensive income (expense), attributable to								
– owners of the Company	–	–	–	–	67	(1,031)	(273)	(1,360)
– non-controlling interests	–	–	–	–	65	(402)	(262)	(529)
	–	–	–	–	132	(1,433)	(535)	(1,889)
Total comprehensive (expense) income, attributable to								
– owners of the Company	(6,132)	55,640	(23,459)	45,144	(856)	7,343	(4,003)	5,818
– non-controlling interests	(5,891)	21,638	(22,540)	17,556	(822)	2,855	(3,846)	2,263
	(12,023)	77,278	(45,999)	62,700	(1,678)	10,198	(7,849)	8,081
Dividends paid to non-controlling interests	–	26,569	–	32,178	–	3,820	–	4,893

	2016		2015		2016		2015	
	Profit Concept	**Qingdao Pou Sheng**	**Profit Concept**	**Qingdao Pou Sheng**	**Profit Concept**	**Qingdao Pou Sheng**	**Profit Concept**	**Qingdao Pou Sheng**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(FOR INFORMATION PURPOSE ONLY)			
Financial information of consolidated statement of financial position								
Non-current assets	20,254	27,741	33,887	15,480	2,913	3,987	5,153	2,354
Current assets	279,760	385,266	242,921	254,791	40,219	55,386	36,940	38,745
Current liabilities	(240,396)	(317,159)	(205,167)	(156,812)	(34,560)	(45,595)	(31,843)	(23,876)
	59,618	95,848	71,641	113,459	8,572	13,778	10,250	17,223
Equity attributable to								
– owners of the Company	30,405	69,010	36,537	81,690	4,372	9,920	5,228	12,400
– non-controlling interests	29,213	26,838	35,104	31,769	4,200	3,858	5,022	4,823
	59,618	95,848	71,641	113,459	8,572	13,778	10,250	17,223
Financial information of consolidated statement of cash flows								
Net cash (outflow) inflow from operating activities	(54,234)	121,346	48,939	123,571	(8,179)	18,308	7,175	19,759
Net cash inflow (outflow) from investing activities	131	(115,381)	(7,035)	(123,209)	23	(17,019)	(1,067)	(19,047)
Net cash outflow from financing activities	–	(5,878)	–	(639)	–	(855)	–	(102)
Effect of foreign exchange rate changes	–	–	–	–	495	(392)	(478)	(656)
Net cash (outflow) inflow	(54,103)	87	41,904	(277)	(7,661)	42	5,630	(46)

20. LONG-TERM LOAN RECEIVABLE

As at January 1, 2015, the balance represented loan receivable due from a third party which carried fixed interest at 3% per annum and classified as current asset in the consolidated statement of financial position according to its maturity as at December 31, 2015. The collaterals for the secured loan were 39,634,662 shares of HK$0.01 each of the Company, which were issued for the acquisition of a business in prior years. The Group was not permitted to sell or repledge the collaterals in the absence of default by the borrower.

During the year ended December 31, 2016, the loan receivable was fully settled and the collaterals were released.

21. AVAILABLE-FOR-SALE INVESTMENTS

The amounts represent unlisted equity securities issued by private entities incorporated overseas and are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors are of the opinion that their fair value could not be measured reliably.

For the entity which experienced significant financial difficulties, the carrying amount was fully impaired in prior years.

22. DEFERRED TAXATION

The followings are the major deferred tax (assets) liabilities recognised and movements thereon during current and prior years:

	Tax losses	Undistributed earnings of PRC and overseas entities	Fair value adjustments of intangible assets on business combination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	(5,151)	19,274	175,834	189,957
Charge (credit) to profit or loss *(Note 8)*	4,723	–	(11,861)	(7,138)
Exchange realignment	–	46	17	63
At December 31, 2015	(428)	19,320	163,990	182,882
Charge (credit) to profit or loss *(Note 8)*	428	–	(10,717)	(10,289)
Exchange realignment	–	1	55	56
At December 31, 2016	–	19,321	153,328	172,649

(FOR INFORMATION PURPOSE ONLY)

	Tax losses	Undistributed earnings of PRC and overseas entities	Fair value adjustments of intangible assets on business combination	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At January 1, 2015	(1,003)	3,101	28,287	30,385
Charge (credit) to profit or loss *(Note 8)*	751	–	(1,886)	(1,135)
Exchange realignment	187	(163)	(1,464)	(1,440)
At December 31, 2015	(65)	2,938	24,937	27,810
Charge (credit) to profit or loss *(Note 8)*	64	–	(1,613)	(1,549)
Exchange realignment	1	(161)	(1,281)	(1,441)
At December 31, 2016	–	2,777	22,043	24,820

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Deferred tax assets	–	(428)	–	(65)
Deferred tax liabilities	172,649	183,310	24,820	27,875
	172,649	182,882	24,820	27,810

As at December 31, 2016, the Group had unused tax losses of approximately RMB797.4 million or US$114.6 million (2015: approximately RMB1,076.2 million, as restated, or US$163.7 million) available for offset against future profits and no deferred tax asset has been recognised in respect of such tax losses of approximately RMB797.4 million or US$114.6 million due to the unpredictability of future profit streams. As at December 31, 2015, a deferred tax asset has been recognised in respect of such tax losses of approximately RMB1.7 million or US$0.3 million and no deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately RMB1,074.5 million, as restated, or US$163.4 million due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of PRC subsidiaries amounting to approximately RMB2,772 million or US$398.5 million (2015: approximately RMB2,282 million or US$347.0 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Included in these accumulated profits of PRC subsidiaries are profits arising from PRC associates and joint ventures that are equity accounted for in the Group's consolidated financial statements amounting to approximately RMB0.9 million or US$0.1 million (2015: approximately RMB2.0 million or US$0.3 million). The Group is able to control the timing of the reversal of such temporary differences as these investments are made through PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the relevant laws of Taiwan, withholding tax is also imposed on dividend declared in respect of profits earned by the Taiwan subsidiaries. The aggregate amount of temporary differences associated with undistributed earnings of those subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB4.0 million or US$0.6 million as at December 31, 2015.

23. INVENTORIES

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Raw materials	1,553	1,645	223	250
Work in progress	2,143	1,775	308	270
Finished goods	4,396,953	3,906,942	632,110	594,113
	4,400,649	3,910,362	632,641	594,633

24. TRADE AND OTHER RECEIVABLES

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Trade receivables *(note i)*	1,292,686	1,161,869	185,838	176,681
Deposits, prepayments and other receivables	1,119,660	942,888	160,959	143,380
	2,412,346	2,104,757	346,797	320,061
Deposits, prepayments and other receivables represent:				
Rental deposits and prepaid rentals	166,995	161,357	24,007	24,537
Prepayments paid to suppliers	381,054	227,005	54,781	34,520
Value-added tax recoverable	207,947	242,083	29,895	36,813
Amounts due from related parties *(note ii)*	50,152	60,958	7,210	9,270
Other prepaid expenses	120,073	92,081	17,262	14,002
Prepaid lease payments – current *(Note 13(b))*	4,194	4,044	603	615
Long-term loan receivable – due within one year *(Note 20)*	–	50,000	–	7,603
Other deposits and receivables	189,245	105,360	27,201	16,020
	1,119,660	942,888	160,959	143,380

notes:

(i) Included in trade receivables are trade balances with joint ventures of RMB3,135,000 (approximately US$451,000) (2015: RMB4,590,000 (approximately US$698,000)). Details of the relevant transactions are set out in Note 35.

(ii) The amounts represent amounts due from an associate and certain joint ventures of RMB30,149,000 (approximately US$$4,334,000) (2015: RMB40,668,000 (approximately US$6,184,000)), a non-controlling interest of a subsidiary of RMB20,000,000 (approximately US$2,875,000) (2015: RMB20,000,000 (approximately US$3,041,000)) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB3,000 (approximately US$1,000) (2015: RMB290,000, as restated, (approximately US$45,000)), and are unsecured and expected to be recovered within one year. Except for the amounts of (a) RMB24,435,000 (approximately US$3,513,000) (2015: RMB28,466,000 (approximately US$4,329,000)) due from a joint venture which carries variable interest rate ranging from 5% to 6.72% (2015: ranging from 5% to 6.72%) per annum and (b) RMB20,000,000 (approximately US$2,875,000) (2015: RMB20,000,000 (approximately US$3,041,000)) due from a non-controlling interest of a subsidiary which carries fixed interest rate of 6.09% (2015: 6.09%) per annum, the remaining balance is interest-free.

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

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
0 – 30 days	1,028,966	881,879	147,925	134,104
31 – 90 days	207,358	211,679	29,810	32,189
Over 90 days	56,362	68,311	8,103	10,388
	1,292,686	1,161,869	185,838	176,681

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB82,302,000 (approximately US$11,832,000) (2015: RMB119,312,000 (approximately US$18,143,000)) which were past due at the end of the reporting period and for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
31 – 90 days	48,928	74,934	7,034	11,395
Over 90 days	33,374	44,378	4,798	6,748
	82,302	119,312	11,832	18,143

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Movements in the allowance for doubtful debt are as follows:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Balance at beginning of the year	107,890	46,938	16,406	7,551
Impairment loss recognised on trade receivables *(Note 7(a))*	18,872	74,242	2,840	11,805
Amount written off as uncollectible	(21,018)	(13,290)	(4,044)	(2,950)
Balance at the end of the year	105,744	107,890	15,202	16,406

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

(a) Pledged bank deposits

As at December 31, 2015, the pledged bank deposits with maturity of less than one year were placed with a bank for certain banking facilities granted to a subsidiary of the Company and carried interest at fixed interest rate of 2% per annum. The pledged bank deposits had been released upon the settlement of the relevant banking facilities during the year ended December 31, 2016.

(b) Bank balances and cash

The bank balances are interest-bearing at market interest rates. All deposits have an original maturity of three months or less.

During the year ended December 31, 2016, the bank deposits carried variable interest rates ranging from 0.01% to 12.00% (2015: 0.01% to 5.00%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
USD	89,602	64,578	12,881	9,820
HK$	2,532	5,516	364	839
RMB	387	1,574	56	239
	92,521	71,668	13,301	10,898

(c) Bank overdrafts

During the year ended December 31, 2016, the bank overdrafts were unsecured and carried interest at market rates ranging from 4.13% to 4.57% (2015: 4.35% to 5.88%) per annum.

26. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Amount comprises:				
Interest in a joint venture *(note i)*	10,000	–	1,438	–
Assets related to the Disposal Group *(note ii)*	289,133	–	41,566	–
Total assets classified as held for sale	299,133	–	43,004	–
Liabilities associated with the Disposal Group *(note ii)*	230,309	–	33,109	–

notes:

(i) On January 25, 2016, the Group entered into a disposal framework agreement with the joint venture partners of a joint venture, pursuant to which the Group agreed to dispose of its investment in the relevant joint venture for a consideration of RMB10,000,000 (approximately US$1,438,000) (the "JV Disposal"). Therefore, the interest in the joint venture, which is expected to be sold within twelve months from the end of the reporting period, has been classified as an asset held for sale and is presented separately in the consolidated statement of financial position.

A deposit of RMB5,500,000 (approximately US$791,000) in relation to the JV Disposal has been received by the Group in the current year and the amount is included in trade and other payables in the consolidated statement of financial position. The net proceeds of the JV Disposal are less than the carrying amount of the relevant asset, and accordingly, impairment loss of RMB579,000 (approximately US$87,000) has been recognised.

As at March 24, 2017, the transaction had not yet been completed.

(ii) On December 15, 2016, the Group entered into a disposal agreement with Excel Effect Investments Limited, the non-controlling interest of Profit Concept (as defined in Note 38), pursuant to which the Group agreed to dispose of its entire interests in Profit Concept and its subsidiaries (collectively referred to as the "Disposal Group"), which are principally engaged in retailing of sportswear, for a consideration of RMB30,000,000 (approximately US$4,313,000). Therefore, the assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months from the end of the reporting period, have been classified as assets held for sale and liabilities associated with assets classified as held for sale respectively, and are presented separately in the consolidated statement of financial position.

The net proceeds of the anticipated disposal are less than the carrying amount of the relevant assets, and accordingly, impairment loss on goodwill of RMB14,047,000 (approximately US$2,114,000), rental deposits and prepayments of RMB9,928,000 (approximately US$1,495,000) and property, plant and equipment of RMB2,512,000 (approximately US$378,000) have been recognised, immediately before the initial classification of the assets classified as held for sale during the year.

The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	RMB'000	*US$'000* (FOR INFORMATION PURPOSE ONLY)
Property, plant and equipment	4,091	588
Rental deposits and prepayments	16,164	2,323
Inventories	105,256	15,132
Trade and other receivables	149,705	21,522
Taxation recoverable	4,535	652
Bank balances and cash	9,382	1,349
Total assets classified as held for sale	289,133	41,566
Trade and other payables representing total liabilities associated with assets classified as held for sale	(230,309)	(33,109)

As at March 24, 2017, the transaction had not yet been completed.

27. TRADE AND OTHER PAYABLES

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Trade payables *(note i)*	286,463	637,464	41,182	96,936
Bills payables	203,637	162,428	29,275	24,700
Receipt in advance from customers	457,015	352,202	65,701	53,558
Amounts due to related and connected parties *(note ii)*	295,900	321,547	42,539	48,896
Accrued staff costs	265,719	229,065	38,201	34,832
Sales discount and rebate payables	16,538	27,350	2,378	4,159
Other tax payables	66,967	20,720	9,626	3,149
Deposit received for sale of assets classified as held for sale *(Note 26)*	5,500	–	791	–
Other accruals and payables	408,639	319,056	58,745	49,198
	2,006,378	2,069,832	288,438	315,428

notes:

(i) Included in the amount are trade balances with joint ventures of RMB204,000 (approximately US$29,000) (2015: RMB2,367,000 (approximately US$360,000)) and certain entities controlled by Yue Yuen of RMB10,702,000 (approximately US$1,538,000) (2015: RMB12,225,000 (approximately US$1,859,000)). Details of the relevant transactions are set out in Note 35.

(ii) The amounts represent amounts due to non-controlling interests of subsidiaries of RMB2,800,000 (approximately US$403,000) (2015: RMB4,773,000 (approximately US$726,000)) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB293,100,000 (approximately US$42,136,000) (2015: RMB316,774,000, as restated, (approximately US$48,170,000)), and are unsecured and repayable on demand. Except for the amount of RMB290,000,000 (approximately US$41,691,000) (2015: RMB290,000,000 (approximately US$44,099,000)) due to an entity controlled by Yue Yuen's substantial shareholders which carries fixed interest rate of 3.4% (2015: 4%) per annum, the remaining balance is interest-free.

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

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
0 – 30 days	445,442	786,102	64,037	119,539
31 – 90 days	6,148	8,412	884	1,279
Over 90 days	38,510	5,378	5,536	818
	490,100	799,892	70,457	121,636

The average credit period for payment of purchases of goods is ranging from 30 days to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

28. BANK BORROWINGS

The unsecured bank borrowings, interest-bearing at variable rates, are repayable within one year.

The Group's variable rate borrowings carry interests at margins over Hong Kong Interbank Offer Rate ("HIBOR"), London Interbank Offer Rate ("LIBOR") or prevailing rate quoted by the PBOC, as appropriate. Interest is repriced every one to six months.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2016	**2015**
		(restated)
Effective interest rate:		
Variable rate borrowings	1.45% – 11.90%	1.44% – 5.60%

The Group's bank borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
USD	150,075	131,884	21,575	20,055

29. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At January 1, 2015, December 31, 2015 and 2016	30,000,000,000	300,000
Issued and fully paid:		
At January 1, 2015	5,378,908,615	53,789
Exercise of share options	400,000	4
At December 31, 2015	5,379,308,615	53,793
Exercise of share options	11,626,000	116
Repurchase of own shares *(note)*	(53,186,000)	(532)
At December 31, 2016	5,337,748,615	53,377

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Shown in the consolidated financial statements	46,523	46,877	6,855	6,910

note:

During the year ended December 31, 2016, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	Number of ordinary shares of HK$0.01 each repurchased	Price per share Highest price paid	Price per share Lowest price paid	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
January 2016	53,186,000	1.50	1.37	76,313

The aggregate consideration paid of approximately HK$76,313,000 was equivalent to approximately RMB65,233,000 or US$9,953,000.

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
NON CURRENT ASSETS				
Property, plant and equipment	1,864	74	268	11
Investments in subsidiaries, unlisted	1,302,860	1,238,951	187,300	188,402
	1,304,724	1,239,025	187,568	188,413
CURRENT ASSETS				
Other receivables	3,313	5,221	476	794
Amounts due from subsidiaries	4,478,131	3,780,769	679,913	574,926
Bank balances and cash	7,378	10,626	1,061	1,616
	4,488,822	3,796,616	681,450	577,336
TOTAL ASSETS	5,793,546	5,035,641	869,018	765,749
CURRENT LIABILITIES				
Other payables	10,809	9,051	1,554	1,376
Amounts due to subsidiaries	803,787	693,796	115,553	105,503
Bank borrowings	704,982	131,522	101,349	20,000
	1,519,578	834,369	218,456	126,879
NET ASSETS	4,273,968	4,201,272	650,562	638,870
CAPITAL AND RESERVES				
Share capital	46,523	46,877	6,855	6,910
Reserves *(note)*	4,227,445	4,154,395	643,707	631,960
	4,273,968	4,201,272	650,562	638,870

note:

Movement in the Company's reserves:

	Total
	RMB'000
At January 1, 2015	4,228,336
Loss and total comprehensive expense for the year	(7,915)
Purchase of shares under share award scheme	(69,107)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	2,596
Exercise of share options	485
At December 31, 2015	4,154,395
Profit and total comprehensive income for the year	269,322
Repurchase of own shares	(64,780)
Purchase of shares under share award scheme	(61,864)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	7,332
Exercise of share options	13,109
Dividends recognised as distribution *(Note 11)*	(90,069)
At December 31, 2016	4,227,445

(FOR INFORMATION PURPOSE ONLY)

	Total
	US$'000
At January 1, 2015	643,595
Loss and total comprehensive expense for the year	(1,259)
Purchase of shares under share award scheme	(10,863)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	413
Exercise of share options	74
At December 31, 2015	631,960
Profit and total comprehensive income for the year	40,536
Repurchase of own shares	(9,884)
Purchase of shares under share award scheme	(9,034)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	1,094
Exercise of share options	1,983
Dividends recognised as distribution *(Note 11)*	(12,948)
At December 31, 2016	643,707

31. ACQUISITION OF BUSINESS

Acquisition of business during the year ended December 31, 2015 (restated)

Upon the acquisition of PCG Bros Group by Winning Team from Key International and the application of merger accounting as detailed in Note 2, the acquisition of a business by PCG Bros Group on May 28, 2015 was deemed as an acquisition by the Group on that date.

On May 28, 2015, the Group acquired a business, which principally engaged in sports marketing and organisation of sports events in Taiwan, from two independent third parties for a cash consideration of NTD80,00,000 (equivalent to approximately RMB15,968,000 or US$2,593,000).

The Group obtained control over the business on the date of completion of the acquisition, which has been accounted for using the purchase method. The amount of goodwill arising as a result of this acquisition was RMB9,523,000 (approximately US$1,546,000).

Further details of the acquisition, including consideration paid, assets acquired and liabilities recognised are set out below.

	RMB'000	*US$'000* (FOR INFORMATION PURPOSE ONLY)
Consideration for the acquisition:		
Cash consideration	15,968	2,593
Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:		
Property, plant and equipment *(Note 13(a))*	2,916	470
Trade and other receivables	13,251	2,136
Bank balances and cash	3,307	533
Trade and other payables	(11,521)	(1,849)
Bank borrowings	(1,508)	(243)
	6,445	1,047
Goodwill	9,523	1,546
Cash flows arising on acquisition:		
Cash consideration paid for acquisition	(15,968)	(2,593)
Less: bank balances and cash acquired	3,307	533
Net cash outflows	(12,661)	(2,060)

The business acquired during the year ended December 31, 2015 did not contribute significantly to the results and cash flows of the Group during that year.

32. OPERATING LEASES

(a) The Group as lessee

The Group made the following lease payments during the year:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Operating lease rentals and concessionaire fees in respect of:				
Minimum lease payments:				
– street level stores	242,973	178,309	36,570	28,353
– shopping mall stores	266,984	230,759	40,184	36,693
– other properties	69,087	65,759	10,398	10,458
	579,044	474,827	87,152	75,504
Contingent rentals:				
– shopping mall stores	1,556,306	1,373,213	234,239	218,355
	2,135,350	1,848,040	321,391	293,859
Representing:				
– shopping malls/retail outlets/ warehouses (included in selling and distribution expenses)	2,092,281	1,808,096	314,908	287,506
– offices (included in administrative and other expenses)	43,069	39,944	6,483	6,353
	2,135,350	1,848,040	321,391	293,859

At the end of the reporting period, the Group had commitments for non-cancellable future minimum lease payments for retail shops and other properties under non-cancellable operating leases which fall due as follows:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Within one year	529,800	358,011	76,164	54,441
In the second to fifth year inclusive	772,305	641,680	111,027	97,578
Over five years	159,128	54,411	22,876	8,274
	1,461,233	1,054,102	210,067	160,293

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail shops' revenue using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents payable.

Majority of the leases are negotiated for lease terms of 2 to 5 years.

(b) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts in respect of shopping mall counter areas rented out:

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Within one year	46,817	36,195	6,730	5,504
In the second to fifth year inclusive	65,775	59,711	9,456	9,080
Over five years	10,413	12,823	1,497	1,950
	123,005	108,729	17,683	16,534

In addition to the basic rental receipts as disclosed above, the lease agreements with the tenants also include provision for the payment of contingent rents to the Group. In general, these contingent rents are calculated with reference to the revenue generated by the tenants operating in the Group's retailing complex using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rents receivable. Rental income received by the Group during the year amounted to RMB104,424,000 (approximately US$15,717,000) (2015: RMB106,685,000 (approximately US$16,964,000)), included in which was contingent rental income arising from contingent terms of lease contracts of RMB68,230,000 (approximately US$10,269,000) (2015: RMB74,649,000 (approximately US$11,870,000)).

33. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a shareholders' resolution passed on May 14, 2008 and amended on March 7, 2012 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 Share Option 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 Group's shareholders, (i) the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at date of listing; (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 twelve-month period 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 shares of the Company in issue and with a value in excess of HK$5 million may not be granted to substantial shareholders or independent non-executive directors or any of their respective associates, in the twelve-month period up to and including the date of such grant.

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

The following tables disclose movements in the Company's share options under the Share Option Scheme during the two years ended December 31, 2016:

	Date of grant	Exercise price HK$	Exercisable period	Number of options outstanding at January 1, 2015	Lapsed/ cancelled during the year	Number of options outstanding at December 31, 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year (note)	Number of options outstanding at December 31, 2016
Current and former employees/ consultants	21.01.2010	1.620	21.1.2011 – 20.1.2018	4,500,450	(60,000)	4,440,450	–	(1,079,000)	177,000	3,538,450
	21.01.2010	1.620	21.1.2012 – 20.1.2018	4,500,450	(60,000)	4,440,450		(1,045,000)	177,000	3,572,450
	21.01.2010	1.620	21.1.2013 – 20.1.2018	6,789,900	(105,000)	6,684,900	–	(874,000)	354,000	6,164,900
	21.01.2010	1.620	21.1.2014 – 20.1.2018	7,321,200	–	7,321,200	–	(942,000)	(808,000)	5,571,200
	20.01.2011	1.230	20.1.2012 – 19.1.2019	11,737,500	(150,000)	11,587,500	–	(2,075,000)	–	9,512,500
	20.01.2011	1.230	20.1.2013 – 19.1.2019	7,987,500	(25,000)	7,962,500	–	(1,750,000)	–	6,212,500
	20.01.2011	1.230	20.1.2014 – 19.1.2019	5,500,000	–	5,500,000	–	(1,236,000)	–	4,264,000
	20.01.2011	1.230	20.1.2015 – 19.1.2019	4,800,000	–	4,800,000	–	(1,125,000)	–	3,675,000
	07.03.2012	1.050	07.3.2013 – 06.3.2020	750,000	–	750,000	–	(375,000)	–	375,000
	07.03.2012	1.050	07.3.2014 – 06.3.2020	375,000	–	375,000	–	(375,000)	–	–
	07.03.2012	1.050	07.3.2015 – 06.3.2020	375,000	–	375,000	–	(375,000)	–	–
	07.03.2012	1.050	07.3.2016 – 06.3.2020	375,000	–	375,000	–	(375,000)	–	–
	14.11.2016	2.494	01.9.2017 – 01.9.2019	–	–	–	1,166,320	–	–	1,166,320
	14.11.2016	2.494	01.9.2018 – 01.9.2020	–	–	–	1,166,320	–	–	1,166,320
	14.11.2016	2.494	01.9.2019 – 01.9.2021	–	–	–	1,166,320	–	–	1,166,320
	14.11.2016	2.494	01.9.2020 – 01.9.2022	–	–	–	2,332,640	–	–	2,332,640
	14.11.2016	2.494	01.9.2021 – 01.9.2023	–	–	–	5,831,590	–	–	5,831,590
Total				55,012,000	(400,000)	54,612,000	11,663,190	(11,626,000)	(100,000)	54,549,190
Exercisable as at January 1, 2015, December 31, 2015 and December 31, 2016				49,462,000		54,237,000				42,886,000

note: Included the reverse of a total of 1,180,000 underlying shares comprised in the share options (which were previously mistakenly treated as lapsed) during the year.

The fair value of the share options granted on November 14, 2016 (the measurement date), as at the date of grant, determined by APAC Asset Valuation using the Binomial Option Pricing Model, was HK$11,138,000 (equivalent to approximately RMB9,991,000 or US$1,436,000). The key inputs into the Binomial Option Pricing Model are as follows:

Exercise price	HK$2.494
Closing share price at the date of grant	HK$2.41
Annual risk free rate	0.99 – 1.18%
Expected volatility	50 – 55%
Expected life of share options	2.8 – 6.8 years
Expected dividend yield	2.00%

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the Company's shares immediately before the grant of the share options on November 14, 2016 was HK$2.55 per share.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.31 (2015: HK$1.71).

During the year ended December 31, 2016, the Group recognised a net expense of RMB486,000 (approximately US$71,000) (2015: RMB102,000 (approximately US$16,000)) as equity-settled share-based payments in the consolidated income statement under the Share Option Scheme with reference to the share options' respective vesting periods and the share options lapsed prior to their vesting dates after recognising share option expenses.

(b) Share Award Scheme

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a board resolution passed on May 9, 2014 and amended on November 11, 2016. The objective of the Share Award Scheme is to recognise the contributions by certain persons, including directors of the Company and employees of the Group (the "Selected Participants") and to provide incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on May 9, 2014 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Share Award Scheme is operated through a trustee which is independent of the Group. After the notification and instruction by the Company, the trustee has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company.

The directors would notify the trustee of the Share Award Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. The relevant awarded shares shall vest in accordance with the conditions and timetable as set out in the relevant letter of award issued to the Selected Participant. Vesting of the award shares will be conditional on the Selected Participants remaining an employee of the Group on a vesting date and the board has not determined to vary or cancel such an award for any reason (including but not limited to exceptionally poor performance, misconduct or material breach of the terms of employment or rules or policies of the Company). An award shall automatically lapse forthwith when a Selected Participant has taken unpaid leave of absence and does not return to work before the expiry of 24 months from the original vesting date, or ceases to be an employee of the Group, or the subsidiary employing the Selected Participant ceases to be a subsidiary, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, or Selected Participant's employment is terminated for cause if the award has not been vested.

During the year ended December 31, 2016, 30,000,000 ordinary shares (2015: 80,000,000 ordinary shares) of the Company have been acquired at an aggregate cost of approximately HK$70,000,000 (equivalent to approximately RMB62,000,000 or US$9,034,000) (2015: approximately HK$84,206,000 (equivalent to approximately RMB69,107,000 or US$10,863,000)). A total of 130,000,000 ordinary shares (2015: 100,000,000 ordinary shares) of the Company were held by the trustee of the Share Award Scheme at December 31, 2016.

The following table discloses movements in the Company's share awards under the Share Award Scheme during the two years ended December 31, 2016:

	Date of grant	Vesting date	Number of share awards outstanding at January 1, 2015	Granted during the year	Lapsed/ cancelled during the year	Number of share awards outstanding at December 31, 2015	Granted during the year	Lapsed/ cancelled during the year	Number of share awards outstanding at December 31, 2016
Director									
Kwan, Heh-Der (resigned	01.09.2014	01.09.2017	1,200,000	–	–	1,200,000	–	–	1,200,000
on January 6, 2017)	13.05.2016	31.08.2018	–	–	–	–	1,400,000	–	1,400,000
Employees	01.09.2014	01.09.2017	10,300,000	–	(2,000,000)	8,300,000	–	(1,200,000)	7,100,000
	21.03.2015	21.03.2018	–	8,900,000	(352,000)	8,548,000	–	(765,000)	7,783,000
	14.08.2015	14.08.2018	–	10,270,000	(580,000)	9,690,000	–	(1,360,000)	8,330,000
	24.03.2016	24.03.2019	–	–	–	–	5,130,000	(210,000)	4,920,000
	13.08.2016	13.08.2019	–	–	–	–	5,460,000	–	5,460,000
	12.11.2016	31.08.2019	–	–	–	–	600,000	–	600,000
	14.11.2016	01.09.2017	–	–	–	–	833,680	–	833,680
	14.11.2016	01.09.2018	–	–	–	–	833,680	–	833,680
	14.11.2016	01.09.2019	–	–	–	–	833,680	–	833,680
	14.11.2016	01.09.2020	–	–	–	–	1,667,360	–	1,667,360
	14.11.2016	01.09.2021	–	–	–	–	4,168,410	–	4,168,410
Total			11,500,000	19,170,000	(2,932,000)	27,738,000	20,926,810	(3,535,000)	45,129,810

The fair values of the share awards as at the date of grant, determined by APAC Asset Valuation using the Black-Scholes Option Pricing Model, amounted to HK$29,269,000 (equivalent to approximately RMB25,000,000 or US$3,770,000) (2015: HK$11,098,000 (equivalent to approximately RMB9,417,000 or US$1,432,000)). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	November 14, 2016	November 12, 2016	August 13, 2016	May 13, 2016	March 24, 2016	August 14, 2015	March 21, 2015
Closing share price at the date of grant	HK$2.41	HK$2.55	HK$2.40	HK$2.07	HK$1.61	HK$1.14	HK$0.55
Annual risk free rate	0.50 – 1.07%	0.84%	0.48%	0.600%	0.845%	0.784%	0.731%
Expected volatility	51 – 57%	55%	55%	57%	54%	52%	50%
Vesting period	0.8 – 4.8 years	2.8 years	3 years	2.3 years	3 years	3 years	3 years
Expected dividend yield	2.0%	2.0%	2.0%	Nil	Nil	Nil	Nil

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share awards. The variables and assumptions used in computing the fair value of the share awards are based on the directors' best estimate. The value of a share award varies with different variables of certain subjective assumptions.

The closing prices of the Company's shares immediately before the grant of the share awards on March 24, 2016, May 13, 2016, August 13, 2016, November 12, 2016 and November 14, 2016 were HK$1.67, HK$2.00, HK$2.40, HK$2.55 and HK$2.55 (March 21, 2015: HK$0.55 and August 14, 2015: HK$1.12) per share respectively.

During the year ended December 31, 2016, the Group recognised a net expense of RMB6,846,000 (approximately US$1,023,000) (2015: RMB2,494,000 (approximately US$397,000)) as equity-settled share-based payments in the consolidated income statement under the Share Award Scheme with reference to the share awards' respective vesting periods and the share awards lapsed prior to their vesting dates after recognising share award expenses.

34. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group also operates a MPF Scheme for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules.

The total cost of RMB197,108,000 (approximately US$29,667,000) (2015: RMB153,639,000, as restated, (approximately US$24,429,000)) charged to profit or loss represents contribution paid or payable to the above retirement benefit plans by the Group for the year.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

35. RELATED AND CONNECTED PARTY DISCLOSURES

(a) Transactions and trade balances

The Group had the following related and connected party transactions and trade balances:

Relationship	Nature of transactions/ balances	2016	2015	2016	2015
		RMB'000	*RMB'000*	*US$'000*	*US$'000*
				(FOR INFORMATION PURPOSE ONLY)	
Yue Yuen and its affiliates	Purchase of footwear products by the Group *(note)*	43,302	73,935	6,517	11,757
	Interest expense paid by the Group *(note)*	1,275	2,911	192	463
	Trade payables of the Group at the end of the reporting period	10,702	12,225	1,538	1,859
	Rental expenses for offices paid by the Group	1,565	16	236	3
Substantial shareholders of Yue Yuen and their affiliates	Interest expenses paid by the Group *(note)*	10,321	6,503	1,553	1,034
Joint ventures of the Group	Sales of sportswear products by the Group	11,777	21,838	1,773	3,472
	Interest income received by the Group	3,698	4,480	557	712
	Trade receivables of the Group at the end of the reporting period	3,135	4,590	451	698
	Trade payables of the Group at the end of the reporting period	204	2,367	29	360

note: Other than these transactions, none of the other transactions in the table above falls under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) under the Listing Rules.

(b) Non-trade balances

Details of the Group's non-trade balances with related and connected parties are set out in the consolidated statement of financial position and in Notes 18, 24 and 27.

(c) Guarantee

As at December 31, 2015, bank borrowings of approximately RMB6,997,000, as restated, or US$1,064,000 were guaranteed by Yue Yuen.

(d) Compensation of key management personnel

	2016	**2015**	**2016**	**2015**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
			(FOR INFORMATION PURPOSE ONLY)	
Short term benefits	18,625	18,596	2,803	2,957
Post employment benefits	15	31	2	5
Equity-settled share-based payments	1,814	1,000	273	159
	20,454	19,627	3,078	3,121

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

(e) Saved as disclosed in Note 2, on November 14, 2016, the Group acquired from Yue Yuen, the entire equity interests in PCG Group for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000).

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include the borrowings disclosed in Note 28, and equity attributable to owners of the Company, comprising issued share capital, various reserves and accumulated profits.

The directors review the capital structure on a regular basis. As part of this review, the directors assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares as well as the issue of new debt or the redemption of the existing debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015	2016	2015
	RMB'000	*RMB'000*	*US$'000*	*US$'000*
		(restated)	(FOR INFORMATION PURPOSE ONLY)	
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,939,766	1,700,282	278,863	258,554
Available-for-sale investments measured at cost less impairment	2,156	1,999	310	304
Financial liabilities				
Amortised cost	2,485,125	1,821,304	357,264	276,958
FVTPL	–	74,301	–	11,299

(b) Financial risk management objectives

The Group's major financial instruments include loans to joint ventures, available-for-sale investments, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, consideration payable for acquisition of business, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 25), loans to joint ventures (Note 18), amounts due from joint ventures (Note 24), bank overdrafts (Note 25) and bank borrowings (Note 28). Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to fair value interest rate risk in relation to a fixed-rate loan receivable, amount due from a non-controlling interest of a subsidiary (Note 24), pledged bank deposits (Note 25) and amounts due to certain entities controlled by Yue Yuen and its substantial shareholders (Note 27).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuations of HIBOR, LIBOR and prevailing rate quoted by the PBOC are the major sources of the Group's cash flow interest rate risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates of the financial instruments set out above. The analysis is prepared assuming all of the above amounts outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point increase or decrease for bank balances in the PRC and 50 basis points for other financial assets and financial liabilities set out above are used and represent management's assessment of the reasonably possible change in interest rates for each of the two years ended December 31, 2016.

If interest rates on the above interest-bearing financial assets had been 10 or 50 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year would increase/decrease by RMB439,000 (approximately US$63,000) (2015: increase/decrease by RMB477,000, as restated, (approximately US$73,000)).

If interest rates on the above interest-bearing financial liabilities had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by RMB5,159,000 (approximately US$742,000) (2015: decrease/increase by RMB1,758,000, as restated, (approximately US$267,000)).

In management's opinion, the sensitivity analysis does not necessarily represent the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) *Foreign exchange risk*

Certain subsidiaries of the Company have foreign currency bank balances and bank borrowings as detailed in Notes 25 and 28, respectively, which expose the Group to foreign exchange risk, whilst over 99% (2015: over 99%) of the Group's sales and purchases are denominated in the respective group entities' functional currency.

Sensitivity analysis

The following is the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis mainly includes the Group's USD bank balances and bank borrowings. Where RMB strengthens against USD by 5%, the Group's profit for the year would increase by RMB2,268,000 (approximately US$326,000) (2015: increase by RMB2,524,000, as restated, (approximately US$384,000)), while a 5% weakening of RMB against USD, there would be an equal and opposite impact on the profit.

In management's opinion, the sensitivity analysis is not necessarily of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at December 31, 2015 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's customer base is diverse and the trade receivables consist of a large number of customers. In order to minimise the credit risk arising from its open account sales, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In this regard, the directors consider that the credit risk is significantly reduced.

In addition to the credit risk on trade debts, the Group is also exposed to concentration of credit risk on its advances to certain joint ventures, which account for 2% (2015: 5%) of its loans and receivables. Because of the Group's involvement in the management of these entities, the Group is in a position to monitor their financial performance and would take timely actions to safeguard its assets and/or to minimise its losses. Accordingly, management believes that the Group's exposure to the credit risk associated with these loans is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which covered over 98% (2015: over 96%) of its total receivables as at December 31, 2016.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

The Group relies on bank borrowings as a significant source of liquidity. Details of which are set out in Note 28.

With regard to the Group's liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the contractual maturity of the Group's financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is based on the interest rate at the end of the reporting periods.

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2016						
Amortised cost						
Non-interest bearing	–	774,641	6,148	38,510	819,299	819,299
Fixed interest rate instrument	3.40	–	–	299,860	299,860	290,000
Variable interest rate instruments	5.40	1,335,754	29,577	13,459	1,378,790	1,375,826
		2,110,395	35,725	351,829	2,497,949	2,485,125

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2015						
Amortised cost						
Non-interest bearing	–	1,048,601	8,412	5,379	1,062,392	1,062,392
Fixed interest rate instrument	4.00	–	–	301,600	301,600	290,000
Variable interest rate instruments	3.67	209,482	256,986	4,108	470,576	468,912
		1,258,083	265,398	311,087	1,834,568	1,821,304
FVTPL						
Consideration payable for acquisition of business		–	–	74,301	74,301	74,301

(FOR INFORMATION PURPOSE ONLY)

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at December 31, 2016						
Amortised cost						
Non-interest bearing	–	111,363	884	5,536	117,783	117,783
Fixed interest rate instrument	3.40	–	–	43,108	43,108	41,691
Variable interest rate instruments	5.40	192,029	4,252	1,935	198,216	197,790
		303,392	5,136	50,579	359,107	357,264

	Weighted average interest rate	0 to 30 days	31 to 90 days	91 to 365 days	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at December 31, 2015						
Amortised cost						
Non-interest bearing	–	159,456	1,279	818	161,553	161,553
Fixed interest rate instrument	4.00	–	–	45,863	45,863	44,099
Variable interest rate instruments	3.67	31,855	39,079	625	71,559	71,306
		191,311	40,358	47,306	278,975	276,958
FVTPL						
Consideration payable for acquisition of business		–	–	11,299	11,299	11,299

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to changes if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3 as set out in Note 4) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at December 31,				
	2016	**2015**	**2016**	**2015**	**Fair value hierarchy**
	RMB'000	*RMB'000*	*US$'000*	*US$'000*	
			(FOR INFORMATION PURPOSE ONLY)		
Financial liability at FVTPL					
Consideration payable for acquisition of business	–	74,301	–	11,299	Level 3

For the years ended December 31, 2015 and 2016, consideration payable for acquisition of business represented the amount that the Group might have to compensate the vendor for the shortfall, if any, of the market value of the ordinary shares of the Company issued for the acquisition of a business in prior years below HK$4 each at the maturity of a pre-determined restricted period from November 21, 2016 to December 19, 2016, until which the shares issued by the Company were placed in an escrow account and the Company's consent was required for any withdrawal.

During the year ended December 31, 2016, the consideration payable for acquisition of business measured at fair value was derecognised upon maturity. Accordingly, the consideration payable for acquisition of business was accounted for as an extinguishment of the original financial liability that is measured at fair value at maturity; and a new financial liability at amortised cost was immediately recognised in the consolidated statement of financial position as at December 31, 2016, which was repaid and settled on January 20, 2017.

As at December 31, 2015, the valuation technique adopted was Binomial Option Pricing Model whereas the key inputs to the valuation models included the share price at date of valuation, risk free rate, expected volatility, expected life of the guaranteed compensation and the expected dividend yield. The significant unobservable inputs in the valuation model included the expected volatility with reference to the historical price volatility and the expected dividend yield of the Company. Both inputs were positively related to the fair value of the consideration payable for acquisition of business. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the consideration payable for acquisition of business would not be significant.

The fair value of the guaranteed compensation as at December 31, 2015 was determined by APAC Asset Valuation, using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

	2015
Share price at date of valuation	HK$1.86
Exercise price per share	HK$4.0
Risk free rate	0.14%
Expected volatility	63%
Expected life of the guaranteed compensation	0.89 year
Expected dividend yield	Nil

(ii) *Reconciliation of Level 3 Measurements*

The following table presents the reconciliation of Level 3 Measurements of the consideration payable for acquisition of business for the year:

	RMB'000	*US$'000* (FOR INFORMATION PURPOSE ONLY)
At January 1, 2015	102,169	16,436
Fair value gain, recognised in profit or loss *(Note 7(c))*	(32,380)	(5,149)
Exchange realignment	4,512	12
At December 31, 2015	74,301	11,299
Fair value gain, recognised in profit or loss *(Note 7(c))*	(17,215)	(2,591)
Transfer out of Level 3 *(note)*	(60,439)	(8,689)
Exchange realignment	3,353	(19)
At December 31, 2016	–	–

note:

During the year ended December 31, 2016, the consideration payable for acquisition of business measured at fair value was derecognised on maturity date of December 19, 2016, as detailed in Note 37(c)(i).

(iii) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments in the year.

(iv) *Fair value of financial instruments that are recorded at amortised cost*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2016 and 2015:

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2016	2015	Principal activities
YY Sports Holdings Limited ("YY Sports") *(note i)*	BVI	US$1	100%	100%	Investment holding
A-Grade Holdings Limited	BVI	US$9,000	100%	100%	Investment holding
Baosheng Daoji (Beijing) Trading Company Limited# 寶盛道吉(北京)貿易有限公司 *(note ii)*	PRC	US$65,000,000	100%	100%	Retailing of sportswear
Taicang Shengdao Trading Company Limited# 太倉勝道商貿有限公司 *(note ii)*	PRC	US$5,000,000	100%	100%	Retailing of sportswear
Brightup Group Limited	HK	HK$1	100%	100%	Investment holding
Charming Technology Limited	BVI	US$200	100%	100%	Investment holding
Dalian Shengdao Sports Production Development Company Limited# 大連勝道運動產業發展有限公司 (formerly known as Dalian Dongzhijie Sports Production Development Company Limited# 大連東之杰運動產業發展有限公司) *(note ii)*	PRC	RMB200,000,000	100%	100%	Retailing of sportswear
Dragonlight Group Limited	BVI	US$1	100%	100%	Investment holding
Dragonlight (China) Sporting Goods Co., Ltd.# 龍光(中國)體育用品有限公司 *(note ii)*	PRC	US$66,000,000	100%	100%	Investment holding
Farsighted International Limited	BVI	US$100	100%	100%	Investment holding
Favour Mark Holdings Limited	HK	HK$19,152,135	100%	100%	Investment holding
Fujian Baomin Sporting GoodsCo., Ltd. 福建寶閩體育用品有限公司 *(note ii)*	PRC	US$4,500,000	90%	90%	Retailing of sportswear
Guangzhou Baoyuen Trading Company Limited# 廣州寶元貿易有限公司 *(note iii)*	PRC	US$23,310,000	100%	100%	Retailing of sportswear
Guangzhou Yangji Information Technology Company Limited# 廣州市揚基信息科技有限公司 *(note ii)*	PRC	HK$13,000,000	100%	100%	Retailing of sportswear
Guizhou Baosheng Sports Goods Company Limited# 貴州寶勝體育用品有限公司 (formerly known as Guiyang Baoxin Sports Goods Company Limited# 貴陽寶新體育用品有限公司) *(note ii)*	PRC	US$10,000,000	100%	100%	Retailing of sportswear

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2016	2015	Principal activities
Guizhou Shengdao Sports Goods Development Company Limited# 貴州勝道體育用品開發有限公司 *(note ii)*	PRC	RMB70,000,000	100%	100%	Property leasing and management
Harbin Baosheng Sports Goods Company Limited# 哈爾濱寶勝體育用品有限公司 *(note ii)*	PRC	RMB22,000,000	100%	100%	Retailing of sportswear
Hebei Zhanxin Sports Development Company Limited# 河北展新體育發展有限公司 *(note iv)*	PRC	RMB18,180,000	100%	100%	Retailing of sportswear
Hefei Baoxun Sports Goods Trading Company Limited# 合肥寶勛體育用品商貿有限公司 *(note iv)*	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Hillside Investments Limited	HK	HK$200	100%	100%	Investment holding
Kunshan YYsports E-Commerce Co., Ltd. 昆山勝道信息技術有限公司 *(note ii)*	PRC	US$3,000,000	100%	100%	Retailing of sportswear
Kun Shan Xin Dong Sports Co. Ltd. 昆山信動體育用品有限公司 *(note ii)*	PRC	US$999,000	100%	100%	Retailing of sportswear
Kunshan Pouchi Sports Co., Ltd. 昆山寶慈體育用品有限公司 *(note ii)*	PRC	US$13,500,000	100%	100%	Retailing of sportswear
Kunshan Taisong Trading Co., Ltd. 昆山泰崧精品有限公司 *(note iii)*	PRC	US$26,500,000	100%	100%	Distribution of licensed products
Nanning Pou Guan Sporting Goods Company Limited# 南寧寶冠體育用品有限公司 *(note ii)*	PRC	US$1,300,000	100%	100%	Retailing of sportswear
Nice Palace Investments Limited	HK	HK$200	100%	100%	Investment holding
Pau Yuen Trading Corporation# 寶原興業股份有限公司	Taiwan	NTD50,000,000	90%	90%	Distribution of licenced products
Pau Zhi Trading Corporation# 寶智企業股份有限公司	Taiwan	NTD5,000,000	90%	90%	Retailing of sportswear
PCG Bros (Holdings) Co., Limited	BVI	US$40,000	100%	100% (restated)	Investment holding
PCG BROS Sports Management Co., Ltd.# 寶悍運動平台股份有限公司	Taiwan	NTD180,000,000	100%	100% (restated)	Sports marketing and organisation of sports events
Pou Sheng (China) Investment Co., Ltd. 常勝投資有限公司 *(note ii)*	PRC	US$152,922,400	100%	100%	Investment holding
Pou Sheng International Sports Development Company Limited	HK	HK$100	100%	100%	Investment holding

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2016	2015	Principal activities
Shengdao (Chengdu) Trading Co. Ltd.# 勝道(成都)商貿有限公司 (formerly known as Pou Yu (Chengdu) Trading Co., Ltd.# 寶渝(成都)商貿有限公司) *(note ii)*	PRC	US$22,400,000	100%	100%	Retailing of sportswear
Profit Concept Group Limited ("Profit Concept")	BVI	US$100	51%	51%	Investment holding
Qingdao Pou Sheng International Sporting Goods Company Limited# ("Qingdao Pou Sheng") 青島寶勝國際體育用品有限公司 (formerly known as Qingdao Baoruina Sports Goods Company Limited# 青島寶瑞納體育用品有限公司) *(note iii)*	PRC	RMB20,000,000	72%	72%	Retailing of sportswear
Qujing Shengdao Sports Goods Co., Ltd.# 曲靖勝道體育用品有限公司 *(note iv)*	PRC	RMB35,000,000	60%	60%	Property leasing and management
Rainbow Faith Investments Limited	HK	HK$200	100%	100%	Investment holding
Richwin Management Limited	BVI	US$1	100%	100%	Investment holding
Selangor Gold Limited	BVI	US$1,000	100%	100%	Investment holding
Shanghai Baoyuen Sports Goods Company Limited# 上海寶原體育用品商貿有限公司 *(note ii)*	PRC	US$30,000,000	100%	100%	Retailing of sportswear
Shanghai Shengdao Sports Goods Company Limited# 上海勝道體育用品有限公司 *(note iv)*	PRC	RMB5,100,000	100%	100%	Property leasing and management
Shengdao (Yangzhou) Sporting Goods Dev. Co., Ltd.# 勝道(揚州)體育用品開發有限公司 *(note ii)*	PRC	US$66,000,000	100%	100%	Investment holding
Shengyang Baoyi Trading Company Limited# 瀋陽寶益貿易有限公司 *(note ii)*	PRC	RMB40,000,000	100%	100%	Retailing of sportswear
Taiwan Taisong Trading Co. Ltd.# 台灣泰崧精品企業股份有限公司	Taiwan	NTD30,000,000	100%	100%	Distribution of licensed product
Tianjin Baosheng Sports Goods Company Limited# 天津寶勝體育用品有限公司 (formerly known as Tianjin Baoxin Sports Goods Company Limited 天津寶信體育用品有限公司) *(note iv)*	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Treasure Chain International Limited	BVI	US$1	100%	100%	Investment holding
Wellmax Business Group Limited	BVI	US$9,000	100%	100%	Investment holding

Name of subsidiary	Country/ place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interests held (note i) 2016	2015	Principal activities
Winning Team Holdings Limited	BVI	US$1	100%	100%	Investment holding
Wuxi Baoyuen Sports Goods Trading Company Limited# 無錫寶原體育用品商貿有限公司 *(note iv)*	PRC	RMB1,000,000	100%	100%	Retailing of sportswear
Shanxi Baosheng Trading Company Ltd.# 陝西寶勝貿易有限公司 (formerly known as Xian Bao Qin Trading Company Ltd.# 西安寶秦貿易有限公司) *(note ii)*	PRC	US$66,000,000	100%	100%	Retailing of sportswear
Yue-Shen (Taicang) Footwear Co., Ltd. 裕盛(太倉)鞋業有限公司 *(note ii)*	PRC	US$17,100,000	100%	100%	Retailing of sportswear
Yue Ming International Limited	HK	HK$1	100%	100%	Retailing of sportswear
Yue Cheng (Kunshan) Sports Co., Ltd. 裕晟(昆山)體育用品有限公司 *(note ii)*	PRC	US$14,200,000	100%	100%	Manufacturing of sportswear
Yunnan Orientsport Trading Co., Ltd.# 雲南奧龍世博經貿有限公司 *(note ii)*	PRC	RMB56,100,000	51%	51%	Retailing of sportswear
Yunnan Shengdao Sports Goods Company Limited# 雲南勝道體育用品有限公司 *(note iv)*	PRC	RMB87,500,000	60%	60%	Property leasing and management
Zhejiang Yichuan Sports Goods Chain Company Limited# 浙江易川體育用品連鎖有限公司 *(note iv)*	PRC	RMB164,000,000	100%	100%	Retailing of sportswear

The English names are for information purpose only.

notes:

(i) The Company directly holds the interest in YY Sports. All other interests shown are indirectly held by the Company.

(ii) These entities are wholly-foreign owned enterprises established/operated in the PRC.

(iii) These entities are sino-foreign owned enterprises established/operated in the PRC.

(iv) These entities are wholly-domestic owned enterprises established/operated in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

39. EVENT AFTER THE END OF REPORTING PERIOD

Incident concerning certain purported sales transactions

On January 8, 2017, the Company published an announcement in relation to the discovery of certain incorrect sales records in the month of December 2016, which could potentially lead to recognition of revenue for sales transactions that did not take place during the year ended December 31, 2016 (the "Incident"). The Incident was discovered by the internal audit department of the Company (the "Internal Audit Department") during the course of conducting regular internal audit procedures with respect to the sales and accounting records of the Company for the month ended December 2016 and certain sales transactions, amounting to approximately RMB132 million (equivalent to approximately US$19 million) in aggregate, had taken place in late December 2016, as purported sales without physical delivery of goods to certain bulk sales customers of the Company prior to the year ended December 31, 2016 ("Purported Sales"). The transactions with bulk sales customers of the Company had been taken up by the bulk sales department which is responsible to negotiate with the bulk sales customers for the clearance of out-of-fashion sportswear.

In light of the Incident, the Audit Committee directed the Internal Audit Department to set up an independent team, which comprised a team of six senior internal auditors from the Internal Audit Department (the "IA Team") to investigate the Incident and to conduct a special internal review and checking of the accounting records of the Group for the year ended December 31, 2016.

Other than the Purported Sales as mentioned above, no other inappropriate sales transactions were identified by the IA Team. The Board of Directors has reached the conclusion that the Incident was an isolated incident, which only occurred in December 2016 and that appropriate adjustments had been made in the consolidated financial statements of the Group for the year ended December 31, 2016.

3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2017

In this section, the capitalized terms "Company" and "Group" refer to Pou Sheng and the Pou Sheng Group respectively.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2017

		For the six months ended June 30,	
		2017	**2016**
	NOTES	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited and restated)
Revenue	4	9,515,092	8,312,889
Cost of sales		(6,223,056)	(5,354,052)
Gross profit		3,292,036	2,958,837
Other operating income and gains (losses)		134,160	108,163
Selling and distribution expenses		(2,591,057)	(2,170,429)
Administrative expenses		(329,386)	(326,001)
Operating profit		505,753	570,570
Finance costs		(52,065)	(28,999)
Finance income		2,972	6,659
Finance costs – net		(49,093)	(22,340)
Share of results of an associate		–	(7,225)
Share of results of joint ventures		(2,472)	892
Other (losses) gains		(4,363)	14,923
Profit before taxation		449,825	556,820
Income tax expense	5	(138,285)	(174,091)
Profit for the period	6	311,540	382,729

		For the six months ended June 30,	
		2017	**2016**
	NOTE	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited and restated)
Attributable to:			
Owners of the Company		298,612	371,438
Non-controlling interests		12,928	11,291
		311,540	382,729
Earnings per share	8		
– Basic		RMB5.73 cents	RMB7.10 cents
– Diluted		RMB5.68 cents	RMB7.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2017

	For the six months ended June 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Profit for the period	311,540	382,729
Other comprehensive (expense) income		
An item that may be reclassified subsequently to profit or loss		
Exchange difference arising on translation of foreign operations	(1,084)	2,476
Total comprehensive income for the period	310,456	385,205
Attributable to:		
Owners of the Company	297,495	373,857
Non-controlling interests	12,961	11,348
	310,456	385,205

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2017

	NOTES	At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	990,885	902,732
Deposit paid for acquisition of property, plant and equipment		73,429	55,224
Prepaid lease payments		143,000	143,621
Rental deposits and prepayments		133,678	127,335
Intangible assets	10	565,148	614,678
Goodwill		532,794	532,450
Interests in joint ventures		49,319	51,791
Loans to joint ventures		17,500	17,500
Available-for-sale investments		2,228	2,156
		2,507,981	2,447,487
Current assets			
Inventories		4,511,060	4,400,649
Trade and other receivables	11	2,756,789	2,412,346
Taxation recoverable		2	1,526
Bank balances and cash		448,852	482,635
		7,716,703	7,297,156
Assets classified as held for sale		10,000	299,133
		7,726,703	7,596,289

	NOTE	At June 30, 2017 RMB'000 (unaudited)	At December 31, 2016 RMB'000 (audited)
Current liabilities			
Trade and other payables	12	1,467,555	2,006,378
Taxation payable		110,600	64,664
Bank borrowings		2,171,627	1,375,826
Consideration payable for acquisition of business		–	60,439
		3,749,782	3,507,307
Liabilities associated with assets classified as held for sale		–	230,309
		3,749,782	3,737,616
Net current assets		3,976,921	3,858,673
Total assets less current liabilities		6,484,902	6,306,160
Non-current liability			
Deferred tax liabilities		160,281	172,649
Net assets		6,324,621	6,133,511
Capital and reserves			
Share capital		46,525	46,523
Reserves		6,235,035	6,057,008
Equity attributable to owners of the Company		6,281,560	6,103,531
Non-controlling interests		43,061	29,980
Total equity		6,324,621	6,133,511

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017

	Equity attributable to owners of the Company														
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note (i))	Other reserve RMB'000 (note (ii))	Revaluation reserve RMB'000 (note (iii))	Merger reserve RMB'000 (note (iv))	Shares held under share award scheme RMB'000	Share award reserve RMB'000	Share-based compensation reserve RMB'000	Non-distributable reserve RMB'000 (note (v))	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2016 (audited)	46,877	5,188,728	676,506	(1,445,655)	55,395	37,730	(76,411)	3,002	34,508	302,438	(18,487)	937,743	5,742,374	45,356	5,787,730
Exchange difference arising on translation of foreign operations (restated)	–	–	–	–	–	–	–	–	–	–	2,419	–	2,419	57	2,476
Profit for the period (restated)	–	–	–	–	–	–	–	–	–	–	–	371,438	371,438	11,291	382,729
Total comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	2,419	371,438	373,857	11,348	385,205
Repurchase of own shares	(453)	(64,780)	–	–	–	–	–	–	–	–	–	–	(65,233)	–	(65,233)
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	2,147	(75)	–	–	–	2,072	–	2,072
Exercise of share options	52	10,205	–	–	–	–	–	–	(3,544)	–	–	–	6,713	–	6,713
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control (restated)	–	–	–	–	–	54,448	–	–	–	–	–	–	54,448	–	54,448
Transfer	–	–	–	–	–	–	–	–	–	28,662	–	(28,662)	–	–	–
At June 30, 2016 (unaudited and restated)	46,476	5,134,153	676,506	(1,445,655)	55,395	92,178	(76,411)	5,149	30,889	331,100	(16,068)	1,280,519	6,114,231	56,704	6,170,935

	Equity attributable to owners of the Company														
	Share capital *RMB'000*	Share premium *RMB'000*	Special reserve *RMB'000* *(note (i))*	Other reserve *RMB'000* *(note (ii))*	Revaluation reserve *RMB'000* *(note (iii))*	Merger reserve *RMB'000* *(note (iv))*	Shares held under share award scheme *RMB'000*	Share award reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Non-distributable reserve *RMB'000* *(note (v))*	Translation reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At January 1, 2017 (audited)	46,523	5,144,095	676,506	(1,445,655)	55,395	29,544	(138,275)	9,848	27,956	401,098	(13,097)	1,309,593	6,103,531	29,980	6,133,511
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(1,117)	–	(1,117)	33	(1,084)
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	298,612	298,612	12,928	311,540
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	–	–	–	(1,117)	298,612	297,495	12,961	310,456
Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested	–	–	–	–	–	–	–	4,388	1,695	–	–	–	6,083	–	6,083
Exercise of share options	2	389	–	–	–	–	–	–	(138)	–	–	–	253	–	253
Disposal of subsidiaries *(Note 13)*	–	–	–	–	–	–	–	–	–	–	–	–	–	(33,015)	(33,015)
Acquisition of remaining interest in subsidiaries	–	–	–	(33,135)	–	–	–	–	–	–	–	–	(33,135)	33,135	–
Dividends recognised as distribution *(Note 7)*	–	–	–	–	–	–	–	–	–	–	–	(92,667)	(92,667)	–	(92,667)
Transfer	–	–	–	–	–	–	–	–	–	16,139	–	(16,139)	–	–	–
At June 30, 2017 (unaudited)	46,525	5,144,484	676,506	(1,478,790)	55,395	29,544	(138,275)	14,236	29,513	417,237	(14,214)	1,499,399	6,281,560	43,061	6,324,621

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 the difference between the fair value of the consideration paid or received and the relevant share of carrying value of the subsidiaries' net assets/liabilities acquired from or disposed of to the non-controlling interests.

(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 disposal of these subsidiaries or the relevant assets, whichever is earlier.

(iv) The merger reserve represents the difference in the fair value of the consideration paid to Yue Yuen for the acquisition of subsidiaries controlled by Yue Yuen and the share capital and premium of the acquired subsidiaries.

(v) According to the relevant laws in the PRC, the subsidiaries of the Company established 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017

		For the six months ended June 30,	
		2017	2016
	NOTE	*RMB'000*	*RMB'000*
		(unaudited)	(unaudited and restated)
Net cash used in operating activities		(111,435)	(202,418)
Net cash used in investing activities			
Placement of structured bank deposits		(330,000)	–
Purchase of property, plant and equipment		(202,094)	(122,747)
Deposit paid for acquisition of property, plant and equipment		(73,429)	(20,945)
Repayment of consideration payable for acquisition of business		(60,439)	–
Advance to a non-controlling interest of a subsidiary		(40,000)	(50,000)
Addition of prepaid lease payment		(1,522)	–
Advance to a joint venture		(518)	–
Release of structured bank deposits		330,000	–
Repayment of advance to a non-controlling interest of a subsidiary		40,000	40,000
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	13	20,618	–
Repayment of advance to joint ventures		12,466	10,034
Proceeds from disposal of property, plant and equipment		4,347	1,860
Interest received		2,972	6,659
Dividends received from an available-for-sale investment		240	–
Release of pledged bank deposits		–	5,997
Deposit received for an asset classified as held for sale		–	1,500
		(297,359)	(127,642)

	For the six months ended June 30, 2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Net cash from financing activities		
Repayment of bank borrowings	(1,914,467)	(1,214,567)
Repayment of advance from related and connected parties	(761,793)	(961,672)
Dividends paid	(91,524)	–
Interest paid	(52,065)	(28,999)
Bank borrowings raised	2,714,712	1,688,254
Advance from related and connected parties	471,793	959,676
Proceeds from issue of shares upon exercise of share options	253	6,713
Shares repurchased	–	(65,233)
Capital injection to a subsidiary by an intermediate holding company before an acquisition by the Group under common control	–	54,448
	366,909	438,620
Net (decrease) increase in cash and cash equivalents	(41,885)	108,560
Effect of foreign exchange rate changes	(1,280)	8,120
Cash and cash equivalents at beginning of the period	492,017	196,952
Cash and cash equivalents at end of the period, represented by bank balances and cash	448,852	313,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. APPLICATION OF MERGER ACCOUNTING

On November 14, 2016, Winning Team, an indirect wholly-owned subsidiary of the Company, acquired from Key International, an indirect wholly-owned subsidiary of Yue Yuen, an intermediate holding company of the Company, the entire equity interests in PCG Bros for a cash consideration of US$9,226,008.82 (equivalent to approximately RMB62,634,000.00). PCG Bros and its subsidiaries (collectively referred to as "PCG Bros Group") are principally engaged in sports marketing and organisation of sports events in Taiwan.

The Group and PCG Bros Group are both under the control of Yue Yuen before and after the date of acquisition, and that control is not transitory. The Group and PCG Bros Group are regarded as continuing entities as at the date of business combinations and hence the acquisition has been accounted for as combination of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Accordingly, the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended June 30, 2016 have been restated to include the financial performance, changes in equity and cash flows of PCG Bros Group as if the current group structure upon the completion of the group reorganisation had been in existence throughout the six months ended June 30, 2016, or since their respective dates of incorporation or establishment where this is a shorter period.

The effects of all transactions between the Group and PCG Bros Group, whether occurring before and after the acquisition, are eliminated in preparing the condensed consolidated financial statements.

The effects of acquisition of PCG Bros Group using merger accounting on the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended June 30, 2016 are as follows:

	For the six months ended June 30, 2016			
	Originally stated	**Adjustments on merger accounting**	**Elimination**	**Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8,312,889	–	–	8,312,889
Cost of sales	(5,354,052)	–	–	(5,354,052)
Gross profit	2,958,837	–	–	2,958,837
Other operating income and gains (losses)	108,775	(376)	(236)	108,163
Selling and distribution expenses	(2,169,437)	(992)	–	(2,170,429)
Administrative expenses	(314,203)	(12,034)	236	(326,001)
Operating profit (loss)	583,972	(13,402)	–	570,570
Finance costs	(28,904)	(95)	–	(28,999)
Finance income	6,643	16	–	6,659
Finance costs – net	(22,261)	(79)	–	(22,340)
Share of results of an associate	(7,225)	–	–	(7,225)
Share of results of joint ventures	892	–	–	892
Other gains (losses)	14,923	–	–	14,923
Profit before taxation	570,301	(13,481)	–	556,820
Income tax expense	(174,091)	–	–	(174,091)
Profit (loss) for the period	396,210	(13,481)	–	382,729
Attributable to:				
Owners of the Company	384,919	(13,481)	–	371,438
Non-controlling interests	11,291	–	–	11,291
	396,210	(13,481)	–	382,729
Earnings (loss) per share				
– Basic	RMB7.36 cents	RMB(0.26) cents	–	RMB7.10 cents
– Diluted	RMB7.30 cents	RMB(0.26) cents	–	RMB7.04 cents

	For the six months ended June 30, 2016			
	Originally stated	Adjustments on merger accounting	Elimination	Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit (loss) for the period	396,210	(13,481)	–	382,729
Other comprehensive income				
An item that may be reclassified subsequently to profit or loss				
Exchange difference arising on translation of foreign operations	868	1,608	–	2,476
Total comprehensive income (expense) for the period	397,078	(11,873)	–	385,205
Attributable to:				
Owners of the Company	385,730	(11,873)	–	373,857
Non-controlling interests	11,348	–	–	11,348
	397,078	(11,873)	–	385,205

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis at the end of each reporting period.

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described therein.

Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are mandatorily effective for the current period

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current interim period:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's condensed consolidated interim financial information.

4. REVENUE AND SEGMENTAL INFORMATION

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

Revenue from major business products

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

	For the six months ended June 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of sportswear and footwear products	9,459,685	8,256,273
Commissions from concessionaire sales	55,407	56,616
	9,515,092	8,312,889

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Taxation attributable to the Company and its subsidiaries:		
Current period:		
Hong Kong Profits Tax (note i)	–	–
PRC Enterprise Income Tax ("EIT") (note ii)	167,585	145,422
Overseas income tax (note iii)	–	230
	167,585	145,652
(Over) underprovision in prior periods:		
Hong Kong Profits Tax	–	–
PRC EIT	(16,907)	33,384
Overseas income tax	–	(15)
	(16,907)	33,369
Current tax charge – total	150,678	179,021
Deferred tax credit	(12,393)	(4,930)
	138,285	174,091

notes:

(i) Hong Kong

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

(ii) PRC

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

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

(iii) Overseas

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

6. PROFIT FOR THE PERIOD

	For the six months ended June 30, 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited and restated)
Profit for the period has been arrived at after charging (crediting):		
Total staff costs (included in selling and distribution expenses and administrative expenses)	1,013,540	819,095
Operating lease rentals and concessionaire fees in respect of shopping malls/ retail stores/warehouses (included in selling and distribution expenses)	1,176,085	1,062,985
Depreciation of property, plant and equipment	143,219	96,187
Allowance (reversal of allowance) for inventories, net	87,026	(26,078)
Release of prepaid lease payments	2,112	2,022
Amortisation of intangible assets (included in selling and distribution expenses)	49,671	21,516
Net exchange gain (included in other operating income and gains (losses))	(7,314)	(5,817)
Subsidies, rebates and other income from suppliers (included in other operating income and gains (losses))	(77,171)	(59,934)
(Reversal of impairment loss) impairment loss recognised on trade receivables (included in other operating income and gains (losses))	(3,498)	6,321
Impairment loss (reversal of impairment loss) recognised on other receivables (included in other operating income and gains (losses))	2,031	(993)
Impairment losses recognised on interest in a joint venture	–	579
Loss on disposal of subsidiaries (included in other (losses) gains) *(Note 13)*	4,363	–
Fair value gain on consideration payable for acquisition of business (included in other (losses) gains)	–	(15,122)

7. DIVIDENDS

	For the six months ended June 30, 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Dividends recognised as distribution during the period:		
2016 final dividend of HK$0.02 per share (six months ended June 30, 2016:no 2015 final dividend)	92,667	–

During the current interim period, the Directors declared a final dividend of HK$0.02 per share for the year ended December 31, 2016 (six months ended June 30, 2016: no 2015 final dividend). The final dividend of approximately HK$104,159,000 (equivalent to approximately RMB91,524,000) (six months ended June 30, 2016: nil) was paid on June 16, 2017 to the shareholders of the Company.

Subsequent to the end of the current interim period, the Directors have determined that no interim dividend will be paid in respect of the interim period (six months ended June 30, 2016: 2016 interim dividend of HK$0.02 per share).

8. EARNINGS PER SHARE

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

	For the six months ended June 30, 2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited and restated)
Earnings:		
Earnings for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	298,612	371,438

	For the six months ended June 30, 2017	2016
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,207,943,670	5,233,364,225
Effect of dilutive potential ordinary shares:		
– Share options	7,596,554	11,923,112
– Unvested awarded shares	42,346,867	29,823,797
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,257,887,091	5,275,111,134

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company (see Note 14(b)).

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2017, the Group acquired property, plant and equipment of RMB257,318,000 (six months ended June 30, 2016: RMB131,753,000, as restated).

10. INTANGIBLE ASSETS

Change in useful lives of brand names

Effective from March 2017, the estimated useful lives of brand names were revised to better reflect the useful lives of the intangible assets as follows:

	Old useful lives	New useful lives
Brand names	Indefinite	5 years *(note)*

note: Amortisation for brand names is provided on a straight-line basis over their estimated useful lives.

The effects/expected effects of the above change in estimated useful lives in the current interim period/future annual reporting periods are as follows:

	For the six months ended June 30, 2017	For the year ending December 31, 2017	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase in amortisation charge	(28,122)	(70,305)	(84,369)	(84,369)	(84,369)	(84,369)
Increase in release of deferred tax liabilities	7,031	17,576	21,092	21,092	21,092	21,092
Net decrease in profit for the period/year	(21,091)	(52,729)	(63,277)	(63,277)	(63,277)	(63,277)

11. TRADE AND OTHER RECEIVABLES

	At June 30, 2017	At December 31, 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	1,638,333	1,292,686
Deposits, prepayments and other receivables	1,118,456	1,119,660
	2,756,789	2,412,346

Deposits, prepayments and other receivables represent:

Rental deposits and prepaid rentals	221,249	166,995
Prepayments paid to suppliers	379,812	381,054
Value-added tax recoverable	223,212	207,947
Amounts due from related parties *(note)*	38,208	50,152
Other prepaid expenses	129,717	120,073
Prepaid lease payments - current	4,225	4,194
Other deposits and receivables	122,033	189,245
	1,118,456	1,119,660

note: The amounts represent amounts due from certain joint ventures of RMB18,201,000 (December 31, 2016: RMB30,149,000), a non-controlling interest of a subsidiary of RMB20,000,000 (December 31, 2016: RMB20,000,000) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB7,000 (December 31, 2016: RMB3,000), and are unsecured and expected to be recovered within one year. Except for the amounts of (a) RMB12,329,000 (December 31, 2016: RMB24,435,000) due from a joint venture which carries variable interest rate ranging from 5% to 6.72% (December 31, 2016: ranging from 5% to 6.72%) per annum and (b) RMB20,000,000 (December 31, 2016: RMB20,000,000) due from a non-controlling interest of a subsidiary which carries fixed interest rate of 6.53% (December 31, 2016: 6.09%) per annum, the remaining balances are interest-free.

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

	At June 30, 2017 *RMB'000* (unaudited)	**At December 31, 2016** *RMB'000* (audited)
0 - 30 days	1,340,836	1,028,966
31 - 90 days	238,229	207,358
Over 90 days	59,268	56,362
	1,638,333	1,292,686

12. TRADE AND OTHER PAYABLES

	At June 30, 2017 *RMB'000* (unaudited)	**At December 31, 2016** *RMB'000* (audited)
Trade payables	165,972	286,463
Bills payables	13,907	203,637
Receipt in advance from customers	507,690	457,015
Amounts due to related and connected parties *(note)*	4,020	295,900
Accrued staff costs	208,641	265,719
Sales discount and rebate payables	25,852	16,538
Other tax payables	65,199	66,967
Deposit received for sale of assets classified as held for sale	5,500	5,500
Other accruals and payables	470,774	408,639
	1,467,555	2,006,378

note: The amounts represent amounts due to non-controlling interests of subsidiaries of RMB2,800,000 (December 31, 2016: RMB2,800,000) and certain entities controlled by Yue Yuen and its substantial shareholders of RMB1,220,000 (December 31, 2016: RMB293,100,000), and are unsecured and repayable on demand. Except for the amount of RMB290,000,000 due to an entity controlled by Yue Yuen's substantial shareholders as at December 31, 2016, which carries fixed interest rate of 3.4% per annum and is settled in the current interim period, the remaining balances are interest-free.

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

	At June 30, 2017 *RMB'000* (unaudited)	At December 31, 2016 *RMB'000* (audited)
0 – 30 days	143,692	445,442
31 – 90 days	12,687	6,148
Over 90 days	23,500	38,510
	179,879	490,100

13. DISPOSAL OF SUBSIDIARIES

On December 15, 2016, the Group entered into a disposal agreement with Excel Effect Investments Limited, the non-controlling interest of Profit Concept Group Limited ("Profit Concept"), pursuant to which the Group agreed to dispose of its entire interests of 51% in Profit Concept and its subsidiaries (collectively referred to as the "Disposal Group"), which are principally engaged in retailing of sportswear, for a consideration of RMB30,000,000. Therefore, the assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months from December 31, 2016, have been classified as assets held for sale of approximately RMB289,133,000 and liabilities associated with assets classified as held for sale of approximately RMB230,309,000 as at December 31, 2016.

The transaction was completed during the six months ended June 30, 2017 and the aggregate amounts of assets and liabilities attributable to the Disposal Group on the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	4,156
Rental deposits and prepayments	9,190
Inventories	138,683
Trade and other receivables	199,161
Taxation recoverable	4,702
Bank balances and cash	9,382
Trade and other payables	(297,896)
Total net assets	67,378
Less: non-controlling interests	(33,015)
	34,363
Loss on disposal of subsidiaries:	
Consideration received	30,000
Net assets disposed of	(34,363)
Loss on disposal	(4,363)
Net cash inflow arising on disposal:	
Cash consideration received	30,000
Less: bank balances and cash disposed of	(9,382)
	20,618

During the six months ended June 30, 2017, the Disposal Group did not contribute significantly to the results and cash flows of the Group prior to the disposal.

14. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The existing share option scheme was adopted by the shareholders of the Company on May 14, 2008 and amended on March 7, 2012. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		**2016**	
	Weighted average exercise price *HK$*	**Number of share options**	**Weighted average exercise price** *HK$*	**Number of share options**
As at January 1,	1.63	54,549,190	1.39	54,612,000
Exercised	1.43	(200,000)	1.29	(6,226,000)
Forfeited	–	–	1.62	(100,000)
As at June 30,	1.63	54,349,190	1.40	48,286,000
Exercisable at the end of the reporting period	1.40	42,686,000	1.40	48,286,000

Share options outstanding at June 30, 2017 and December 31, 2016 have the following expiry dates and exercise prices:

		Number of share options	
Year of expiry	**Exercise price** *HK$*	**At June 30, 2017**	**At December 31, 2016**
2018	1.620	18,747,000	18,847,000
2019	1.230	23,564,000	23,664,000
2019	2.494	1,166,320	1,166,320
2020	1.050	375,000	375,000
2020	2.494	1,166,320	1,166,320
2021	2.494	1,166,320	1,166,320
2022	2.494	2,332,640	2,332,640
2023	2.494	5,831,590	5,831,590
		54,349,190	54,549,190

In respect of the share options exercised during the six months ended June 30, 2017, the weighted average share price at the dates of exercise is HK$2.13 (six months ended June 30, 2016: HK$2.04) per share.

During the six months ended June 30, 2017, the Group recognised a net expense of RMB1,695,000 (six months ended June 30, 2016: a net income of RMB75,000) as equity-settled share-based payments in the condensed consolidated income statement under the share option scheme with reference to the share options' respective vesting periods and the share options forfeited prior to their vesting dates after recognising share option expenses.

(b) Share Award Scheme

The share award scheme was approved and adopted by the Board on May 9, 2014 and amended on November 11, 2016. Movements in the number of share awards outstanding are as follows:

	Number of share awards	
	2017	**2016**
As at January 1,	45,129,810	27,738,000
Granted	6,026,000	6,530,000
Forfeited	(7,432,000)	(2,675,000)
As at June 30,	43,723,810	31,593,000

During the six months ended June 30, 2017, the Board granted on March 25, 2017 (six months ended June 30, 2016: March 24, 2016 and May 13, 2016, respectively) an aggregate of 6,026,000 (six months ended June 30, 2016: 5,130,000 and 1,400,000, respectively) awarded shares to certain employees of the Group and a Director pursuant to the share award scheme.

During the six months ended June 30, 2017, the total fair values of the share awards as at the respective dates of grant, determined by APAC Asset Valuation and Consulting Limited using the Black-Scholes Option Pricing Model, amounted to HK$7,234,000 (approximately RMB6,425,000) (six months ended June 30, 2016: HK$7,398,000 (approximately RMB6,244,000)). The key inputs into the Black-Scholes Option Pricing Model are as follows:

Date of grant	March 25, 2017	May 13, 2016	March 24, 2016
Closing share price at the date of grant	HK$1.87	HK$2.07	HK$1.61
Annual risk free rate	0.620% – 1.140%	0.600%	0.845%
Expected volatility	48% – 59%	57%	54%
Vesting period	1 – 3 years	2.3 years	3 years
Expected dividend yield	2.0%	Nil	Nil

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share awards. The variables and assumptions used in computing the fair value of the share awards are based on the Directors' best estimate. The value of a share award varies with different variables of certain subjective assumptions.

The closing price of the Company's shares immediately before the grant of the share awards on March 25, 2017 was HK$1.87 (March 24, 2016 and May 13, 2016 were HK$1.67 and HK$2.00, respectively) per share.

During the six months ended June 30, 2017, the Group recognised a net expense of RMB4,388,000 (six months ended June 30, 2016: RMB2,147,000) as equity-settled share-based payments in the condensed consolidated income statement under the share award scheme with reference to the share awards' respective vesting period and the share awards forfeited prior to their vesting dates after recognising share award expenses.

As at June 30, 2017, a total of 130,000,000 ordinary shares (December 31, 2016: 130,000,000 ordinary shares) of the Company were held by the trustee of the share award scheme of the Company.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated interim financial information approximate their fair values at the end of the reporting period.

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments during the six months ended June 30, 2016 and 2017.

4. UNAUDITED CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

In this section, the capitalized terms "Company" and "Group" refer to Pou Sheng and the Pou Sheng Group respectively.

Consolidated Income Statement
For the nine months ended September 30, 2017

	For the nine months ended September 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
Revenue	13,883,316	12,164,815
Cost of sales	(9,086,723)	(7,811,006)
Gross profit	4,796,593	4,353,809
Other operating income and gains (losses)	193,146	152,755
Selling and distribution expenses	(3,843,398)	(3,217,084)
Administrative expenses	(514,353)	(506,719)
Operating profit	631,988	782,761
Finance costs	(79,406)	(42,459)
Finance income	4,934	9,644
Finance cost – net	(74,472)	(32,815)
Share of results of an associate	–	(7,225)
Share of results of joint ventures	(1,861)	(2,974)
Other (losses) gains	(9,468)	17,976
Profit before taxation	546,187	757,723
Income tax expense	(191,213)	(224,380)
Profit for the period	354,974	533,343
Attributable to:		
Owners of the Company	336,953	522,162
Non-controlling interests	18,021	11,181
	354,974	533,343

Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2017

Profit for the period	354,974	533,343
Other comprehensive income (expense)		
An item that will not be reclassified subsequently to profit or loss		
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	6,381	–
An item that may be reclassified subsequently to profit or loss		
Exchange difference arising on translation of foreign operations	(850)	1,637
Total comprehensive income for the period	360,505	534,980
Attributable to:		
Owners of the Company	342,458	523,708
Non-controlling interests	18,047	11,272
	360,505	534,980

Bases

The estimated consolidated profit of the Group for the nine months ended September 30, 2017 is based on the unaudited consolidated result of the Group based on the management accounts for the nine months ended September 30, 2017, which have been prepared in accordance with the accounting policies adopted by the Group as disclosed in the interim report of the Company for the six months ended June 30, 2017.

In the current period, the Group has applied a number of amendments to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on January 1, 2017. The adoption of these amendments has had no material effect on the results or financial positions of the Group.

5. INDEBTEDNESS STATEMENT

The Pou Sheng Group's indebtedness consisted of bank loans, bank overdrafts and amounts due to connected and related parties.

Bank loans and bank overdrafts

At the close of business on December 31, 2017, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Scheme Document, the Pou Sheng Group in aggregate had outstanding bank loans (unsecured and unguaranteed) and bank overdrafts amounting to approximately RMB2,532.2 million and RMB109.6 million respectively.

Unsecured and unguaranteed amounts due to connected and related parties

The amounts due to connected and related parties as at December 31, 2017 were the loans between certain subsidiaries of Pou Sheng as a party and the following entities as the other party: (i) certain subsidiaries of Pou Chen; (ii) certain subsidiaries of Yue Yuen; and (iii) a non-controlling interest of a subsidiary of Pou Sheng, for borrowings amounting to approximately RMB6.6 million.

Contingent liabilities

The Pou Sheng Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities issued and outstanding or authorized or otherwise created but unissued, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits or other material contingent liabilities or guarantees as at December 31, 2017.

The Pou Sheng Directors have confirmed that there had been no material change in the Pou Sheng Group's indebtedness position and contingent liabilities during the period from December 31, 2017 up to the Latest Practicable Date.

6. MATERIAL CHANGES

Save for the proposed privatization of Pou Sheng by Pou Chen by way of the Scheme as explained in the Joint Announcement dated January 21, 2018 and this Scheme Document, the Pou Sheng Directors confirm that there had been no material change in the financial or trading position or outlook of the Pou Sheng Group since December 31, 2016, being the date to which the latest published audited consolidated financial statements of the Pou Sheng Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

The information contained in this Scheme Document relating to the Pou Sheng Group has been supplied by Pou Sheng. The issue of this Scheme Document has been approved by the Pou Sheng Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (relating to the Pou Sheng Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (relating to opinions expressed by the Pou Sheng Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The information contained in this Scheme Document relating to the Pou Chen Group has been supplied by Pou Chen. The issue of this Scheme Document has been approved by the Pou Chen Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Pou Sheng Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Pou Sheng Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF POU SHENG

As at the Latest Practicable Date:

(a) the authorized share capital of Pou Sheng was HK$300,000,000 divided into 30,000,000,000 Pou Sheng Shares;

(b) the issued share capital of Pou Sheng was HK$53,406,736.15 divided into 5,340,673,615 Pou Sheng Shares;

(c) Pou Sheng had issued 2,125,000 new Pou Sheng Shares pursuant to the exercise of 2,125,000 Pou Sheng Options since December 31, 2017, being the end of the last financial year of Pou Sheng, up to the Latest Practicable Date;

(d) all of the Pou Sheng Shares ranked pari passu in all respects as regards rights to capital, dividends and voting;

(e) there were outstanding Pou Sheng Options exercisable into 32,877,190 Pou Sheng Shares granted under the Pou Sheng Share Option Scheme. For further details of the Pou Sheng Options, please refer to the section headed "7. The Option Offer" in the explanatory statement in Part VII of this Scheme Document;

(f) under the Pou Sheng Share Award Scheme, 125,066,320 Pou Sheng Shares (representing approximately 2.34% of the total issued share capital of Pou Sheng) had been purchased and were held by the Trustee, of which (i) 39,058,130 Pou Sheng Shares had been awarded to selected participants under the Pou Sheng Share Award Scheme but remained unvested; and (ii) 86,008,190 Pou Sheng Shares remained unawarded; and

(g) other than those disclosed in paragraph (e) above, there were no other options, derivatives, warrants or other securities convertible or exchangeable into Pou Sheng Shares which were issued by Pou Sheng.

3. MARKET PRICES OF THE POU SHENG SHARES

3.1 Pou Sheng Shares

The table below sets out the closing price of the Pou Sheng Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price for each Pou Sheng Share** *(HK$)*
July 31, 2017	1.55
August 31, 2017	1.45
September 29, 2017	1.43
October 31, 2017	1.43
November 30, 2017	1.15
December 29, 2017	1.13
January 19, 2018 (Last Trading Day)	1.54
January 31, 2018	1.96
February 28, 2018	1.97
March 9, 2018 (Latest Practicable Date)	2.00

During the Relevant Period, the highest and lowest closing prices of the Pou Sheng Shares as quoted on the Stock Exchange were, respectively, HK$2.00 per Pou Sheng Share on March 9, 2018, and HK$1.06 per Pou Sheng Share on December 14, 2017 and December 22, 2017.

4. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, "interested" and "interests" have the same meanings as given to them in the appropriate part of the SFO.

4.1 Interests in the securities of Pou Sheng

As at the Latest Practicable Date, save as disclosed in the sections headed "6. Effect of the Proposal on the shareholding structure of Pou Sheng" and "16. Directors' interests" in the explanatory statement in Part VII of this Scheme Document:

(a) none of Pou Chen, any of the Pou Chen Directors or any of the Pou Sheng Directors was interested in any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares;

(b) none of the Pou Chen Concert Parties owned or controlled any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares;

(c) none of the subsidiaries of Pou Sheng, any pension fund of the Pou Sheng Group or any adviser to Pou Sheng as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares;

(d) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Pou Sheng or with any person who was an associate of Pou Sheng by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code;

(e) no Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with Pou Sheng; and

(f) none of Pou Chen, any of the Pou Chen Concert Parties, Pou Sheng or any of the Pou Sheng Directors had borrowed or lent any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares, save for any borrowed Pou Sheng Shares which had been either on-lent or sold.

4.2 Interests in the securities of Pou Chen

As at the Latest Practicable Date:

(a) Pou Sheng was not interested in any Pou Chen Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Chen Shares; and

(b) save as disclosed in the section headed "16. Directors' interests" in the explanatory statement in Part VII of this Scheme Document, none of the Pou Sheng Directors was interested in any Pou Chen Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Chen Shares.

4.3 Dealings in the securities of Pou Sheng

During the Relevant Period:

(a) none of Pou Chen, any of the Pou Chen Directors, any of the Pou Chen Concert Parties, Pou Sheng or any of the Pou Sheng Directors had dealt for value in any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares; and

(b) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Pou Chen or any of the Pou Chen Concert Parties had dealt for value in any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares.

During the period commencing on the Announcement Date and ending on the Latest Practicable Date:

(a) none of the subsidiaries of Pou Sheng, any pension fund of the Pou Sheng Group or any adviser to Pou Sheng as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) had dealt for value in any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares;

(b) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Pou Sheng or with any person who was an associate of Pou Sheng by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares; and

(c) no fund managers (other than exempt fund managers) connected with Pou Sheng who managed funds on a discretionary basis had dealt for value in any Pou Sheng Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Sheng Shares.

4.4 Dealings in the securities of Pou Chen

During the Relevant Period, none of Pou Sheng or any of the Pou Sheng Directors had dealt for value in any Pou Chen Shares or any convertible securities, warrants, options or derivatives in respect of the Pou Chen Shares.

4.5 Arrangements with Pou Chen and the Pou Chen Concert Parties in respect of the Proposal and the Scheme

As at the Latest Practicable Date:

(a) Pou Chen and the Pou Chen Concert Parties have not received any irrevocable commitment to accept the offer to cancel the Scheme Shares or the Pou Sheng Options or to vote for or against the Scheme;

(b) there were no indemnities or other arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code exist between Pou Chen or any of the Pou Chen Concert Parties and any other person;

(c) there was no agreement or arrangement to which Pou Chen or any of the Pou Chen Concert Parties is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal and the Scheme;

(d) there was no agreement, arrangement or understanding (including any compensation arrangement) exist between Pou Chen or any of the Pou Chen Concert Parties (on the one part) and any of the Pou Sheng Directors, recent Pou Sheng Directors, Pou Sheng Shareholders or recent Pou Sheng Shareholders (on the other part) having any connection with or dependence upon the Proposal and the Scheme;

(e) there was no agreement, arrangement or understanding between Pou Chen and any other person in relation to the transfer, charge or pledge of the Pou Sheng Shares acquired pursuant to the Proposal and the Scheme; and

(f) Pou Chen has no intention to transfer, charge or pledge any securities in Pou Sheng acquired pursuant to the Proposal and the Scheme to any other person, and has no agreement, arrangement or understanding with any third party to do so.

All Scheme Shareholders will be entitled to attend the Court Meeting and vote on the Scheme. However, as the Pou Chen Concert Parties are not Disinterested Scheme Shareholders, their votes (representing approximately 62.76% of the total issued share capital of Pou Sheng as at the Latest Practicable Date) will not be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code, as set out in Condition (b) in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of this Scheme Document.

Notwithstanding the Trustee's status as a Disinterested Scheme Shareholder, the rules of the Pou Sheng Share Award Scheme prohibit the Trustee from exercising the voting rights attached to the Pou Sheng Shares held by it under the Trust. Accordingly, the Trustee will abstain from voting at the Court Meeting and the SGM.

4.6 Service contracts and other interests of the Pou Sheng Directors

As at the Latest Practicable Date, there was no agreement or arrangement between any Pou Sheng Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal.

As at the Latest Practicable Date, no material contracts had been entered into by Pou Chen in which any Pou Sheng Director has a material personal interest.

Save as disclosed below, as at the Latest Practicable Date, none of the Pou Sheng Directors had entered into a service contract with any member of the Pou Sheng Group or the associated companies of Pou Sheng which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the period of the Proposal;

(ii) are continuous contracts with a notice period of 12 months or more; or

(iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of Pou Sheng Director	Date of service contract	Term and expiry date of service contract	Remuneration
Mr. Lee	February 6, 2017	Fixed term of three years from February 6, 2017 to February 5, 2020	Mr. Lee is entitled to (1) a salary of HK$1,040,000 per annum; and (2) a year-end bonus of an amount to be determined by the Pou Sheng Board.

Name of Pou Sheng Director	Date of appointment letter	Term and expiry date of appointment letter	Remuneration
Ms. Tsai	May 29, 2017	Fixed term of three years from June 6, 2017 to June 5, 2020	Nil
Li I-nan	March 23, 2016	Fixed term of three years from March 26, 2016 to March 25, 2019	Mr. Li is entitled to a director's fee of HK$150,000 per annum
Chen, Huan-Chung	May 29, 2017	Fixed term of three years from June 6, 2017 to June 5, 2020	Mr. Chen is entitled to a director's fee of HK$300,000 per annum
Hsieh, Wuei-Jung	March 23, 2016	Fixed term of three years from March 26, 2016 to March 25, 2019	Mr. Hsieh is entitled to a director's fee of HK$300,000 per annum
Shan Xue	September 1, 2017	Fixed term of three years from October 1, 2017 to September 30, 2020	Nil

As at the Latest Practicable Date, none of the Pou Sheng Directors would be or had been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Proposal.

5. YEAR-END BONUS

As part of the ordinary and usual course of business of the Pou Sheng Group, a year-end bonus in respect of the year ended December 31, 2017 has been paid to over 28,000 staff of the Pou Sheng Group at all levels in recognition of their work and performance throughout the year. The criteria for eligibility of such year-end bonus is based on pre-determined assessment benchmark. The total amount of this year-end bonus is insignificant for the Pou Sheng Group as a whole and represents less than 2% of the results of any of the applicable percentage ratios under the Listing Rules. The payment of this year-end bonus is made during the ordinary and usual course of business of the Pou Sheng Group and is independent to the Proposal.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of Pou Sheng and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against Pou Sheng or any other member of the Pou Sheng Group.

7. MATERIAL CONTRACTS

On November 14, 2016, Winning Team, an indirect wholly-owned subsidiary of Pou Sheng, and Key International, an indirect wholly-owned subsidiary of Yue Yuen, entered into a sale and purchase agreement in relation to the sale and purchase of 100% equity interests in PCG Bros at an aggregate consideration of US$9,226,008.82 (equivalent to approximately RMB 62,634,000).

On November 14, 2016, Pou Sheng, PCG Bros, Mr. Chang, Yun-Chih and Mr. Hu, Lung-Chih entered into an operation and share incentive agreement in relation to, among other matters, upon completion of the aforesaid sale and purchase agreement and subject to the satisfaction of the conditions precedent as set out in the aforesaid operation and share incentive agreement, the grant of Pou Sheng Options exercisable into 11,663,190 Pou Sheng Shares and 8,336,810 awarded Pou Sheng Shares to Mr. Chang, Yun-Chih and Mr. Hu, Lung-Chih under the Pou Sheng Share Option Scheme and Pou Sheng Share Award Scheme.

Save for the above, no material contracts other than contracts entered into in the ordinary course of business carried on or intended to be carried on by the Pou Sheng Group had been entered into by any member of the Pou Sheng Group within two years preceding the date of the Joint Announcement and up to the Latest Practicable Date.

8. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Documents:

Name	**Qualifications**
Anglo Chinese	A licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Deloitte	Certified Public Accountants, Hong Kong

9. CONSENTS

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the opinions and/or letters and/or the references to its name and/or opinions and/or letters in the form and context in which they respectively appear.

10. MISCELLANEOUS

(a) The Pou Sheng Directors are Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu (Chief Executive Officer) as executive directors; Ms. Tsai Patty, Pei Chun and Mr. Li I-nan as non-executive directors; and Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Shan Xue as independent non-executive directors.

(b) The company secretary of Pou Sheng is Mr. Fan Kam Wing.

(c) The registered office of Pou Sheng is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The principal place of business of Pou Sheng in Hong Kong is situated at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

(e) The principal share registrar and transfer office of Pou Sheng is MUFG Fund Services (Bermuda) Limited, at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

(f) The branch share registrar and transfer office of Pou Sheng in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) The Pou Chen Directors are Mr. Chan Lu Min as the chairman; Ms. Tsai Pei Chun, Patty, Ms. Tsai, Min-Chieh, Mr. Lu Chin Chu, Mr. Tsai Ming-Lun, Ming and Mr. Ho, Yue-Ming as directors; and Mr. Chen, Bor-Liang and Mr. Chiu, Tien-I as independent directors.

(h) The head offices of Pou Chen are situated at No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan, and No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan.

(i) The registered office of Major Focus, the principal member of the Pou Chen Concert Parties, is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The directors of Major Focus are Mr. Chau Chi Ming and Mr. Hu Dien Chien.

(j) The directors of Yue Yuen are Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chan Lu Min, Mr. Lin Cheng-Tien, Mr. Tsai Ming-Lun, Ming, Mr. Hu Chia-Ho, Mr. Liu George Hong-Chih and Mr. Hu Dien Chien as executive directors; and Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Yen Mun-Gie (also known as Teresa Yen) and Mr. Hsieh Yung Hsiang (also known as Alfred Hsieh) as independent non-executive directors.

(k) The registered office of Citigroup is situated at 50th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of Pou Sheng at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, from 9:30 a.m. to 5:30 p.m., Monday to Friday and on the website of Pou Sheng at www.pousheng.com, the website of Pou Chen at www.pouchen.com and the website of the SFC at www.sfc.hk from March 12, 2018 until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier:

(a) the articles of incorporation of Pou Chen;

(b) the memorandum of association and bye-laws of Pou Sheng;

(c) the 2014, 2015 and 2016 annual reports of Pou Sheng, the 2017 interim report of Pou Sheng, and the quarterly results announcement published by Pou Sheng on November 13, 2017;

(d) the financial reports of Pou Chen Group for the two years ended December 31, 2015 and 2016 and the financial report of Pou Chen Group for the nine-month period ended September 30, 2017;

(e) the letter from the Pou Sheng Board, the text of which is set out in Part IV of this Scheme Document;

(f) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;

(g) the letter from Anglo Chinese, the text of which is set out in Part VI of this Scheme Document;

(h) the rules of the Pou Sheng Share Option Scheme referred to in the section headed "7. The Option Offer" in the explanatory statement in Part VII of this Scheme Document;

(i) the contracts referred to in the section headed "7. Material Contracts" in this Appendix II to this Scheme Document;

(j) the service contracts referred to in the section headed "4.6 Service contracts and other interests of the Pou Sheng Directors" in this Appendix II to this Scheme Document;

(k) the written consents referred to in the section headed "9. Consents" in this Appendix II to this Scheme Document;

(l) the report from Anglo Chinese on the unaudited consolidated results of the Pou Sheng Group for the nine months ended September 30, 2017, the text of which is set out in Appendix VII to this Scheme Document;

(m) the report from Deloitte on the unaudited consolidated results of the Pou Sheng Group for the nine months ended September 30, 2017, the text of which is set out in Appendix VIII to this Scheme Document; and

(n) the Option Offer Letter and the Form of Option Offer Acceptance.

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
COMMERCIAL COURT
2018: NO. 30

IN THE MATTER OF

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

and

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

SCHEME OF ARRANGEMENT

between

POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

and

THE HOLDERS OF THE SCHEME SHARES (as defined herein)

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

"Beneficial Owners" the beneficial owner(s) of any Share(s) whose registered title to such Share(s) are registered in the name of a Scheme Shareholder

"Business Day" a day on which The Stock Exchange of Hong Kong Limited is open for the transaction of business

"CCASS" the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited (香港中央結算有限公司), a company incorporated in Hong Kong with limited liability

"Company" Pou Sheng International (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability

"Companies Act" The Companies Act of 1981 of Bermuda (as amended)

"Court" the Supreme Court of Bermuda

"Court Meeting" a meeting of the Scheme Shareholders to be convened at the direction of the Court at which this Scheme (with or without modification) will be voted upon, or any adjournment thereof

"Director(s)" director(s) of the Company

"Effective Date" the date on which this Scheme becomes effective in accordance with paragraph 5 of this Scheme

"HKSCC Nominees Limited" HKSCC Nominees Limited (香港中央結算（代理人）有限公司), a company incorporated in Hong Kong with limited liability

"Hong Kong" The Hong Kong Special Administrative Region of the People's Republic of China

"HK$" Hong Kong dollars, the lawful currency of Hong Kong

"Latest Practicable Date" March 9, 2018, being the latest practicable date prior to the despatch of the Scheme Document for the purpose of ascertaining certain information contained therein

"Major Focus" Major Focus Management Limited (禮尚管理有限公司), a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of Yue Yuen

"New Shares" the new Shares to be issued to the Offeror pursuant to paragraph 1.(b) of this Scheme, the number of which is equal to the number of the Scheme Shares cancelled

"Offeror" Pou Chen Corporation (stock code 9904.TW), a company incorporated in Taiwan with limited liability by shares, the shares of which are listed on the Taiwan Stock Exchange Corporation

"Proposal" the proposal for the privatisation of the Company by the Offeror by way of and pursuant to this Scheme

"Register" the register of shareholders of the Company

"Scheme" this scheme of arrangement under section 99 of the Companies Act between the Company and the Scheme Shareholders in its present form or with or subject to any modification or addition or condition which the Court may approve or impose

"Scheme Document" the composite scheme document (which includes this Scheme) dated March 12, 2018 sent by the Company to the Shareholders

"Scheme Record Date" 4:00 p.m. (Hong Kong time) on the last trading day immediately preceding the Effective Date, being the record date for determining entitlements under this Scheme

"Scheme Shareholders" the Shareholders whose names appear on the Register at the Scheme Record Date (other than the Offeror and its wholly-owned subsidiary(ies))

"Scheme Shares" all the Shares held by the Scheme Shareholders as at the Scheme Record Date

"SGM" a special general meeting of the Shareholders to be convened for the purposes of passing all necessary resolutions for the implementation of the Proposal

"Shareholder(s)" registered holder(s) of the Share(s)

"Share(s)" ordinary share(s) of HK$0.01 each in the share capital of the Company

"Takeovers Code" The Code on Takeovers and Mergers of Hong Kong

"Yue Yuen" Yue Yuen Industrial (Holdings) Limited, (stock code 551.HK), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited

(B) The Company was incorporated as an exempted company on 14 November 2007 in Bermuda under the Companies Act with an authorised share capital of HK$100,000 divided into 10,000,000 Shares. As at the date of this Scheme, the Company had an authorised share capital of HK$300,000,000 divided into 30,000,000,000 Shares of which 5,340,673,615 Shares had been issued and were fully paid or credited as fully paid.

(C) As at the Latest Practicable Date, (i) the Offeror did not directly own any Shares; and (ii) Yue Yuen, approximately 49.99% of the issued shares of which are indirectly owned by the Offeror, through its wholly-owned subsidiary, Major Focus, owned 3,331,551,560 Shares, (iii) Ms. Tsai Pei Chun, Patty, a director of each of the Offeror, Yue Yuen and the Company, owned 19,523,000 Shares and (iv) Mr. Chan Lu Min, a director of the Offeror and Yue Yuen, owned 851,250 Shares.

(D) In consideration of the cancellation and extinguishment of the Scheme Shares on the Effective Date, all Scheme Shareholders as appearing in the Register as at the Scheme Record Date shall be entitled to receive HK$2.03 in cash for every Scheme Share held.

(E) The Offeror has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by the Offeror for the purpose of giving effect to this Scheme.

(F) The primary purpose of this Scheme is to cancel and extinguish all the Scheme Shares on the Effective Date, and for the New Shares to be issued to the Offeror (and/or its designated wholly-owned subsidiary(ies)) on such date, so that the Company becomes wholly-owned by the Offeror (and/or its designated wholly-owned subsidiary(ies)).

THE SCHEME
PART I
CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:

   (a) the Company shall issue one Share at par to the Offeror (or its designated wholly-owned subsidiary) and forthwith upon the issue of that one Share, the issued share capital of the Company shall be reduced by cancelling and extinguishing all the Scheme Shares;

   (b) forthwith upon such reduction of capital, the share capital of the Company will be restored to the amount immediately prior to the cancellation of the Scheme Shares by issuing, fully paid up at par to the Offeror (and/or its designated wholly-owned subsidiary(ies)) such number of Shares as is equal to the number of Scheme Shares cancelled (the "**New Shares**"); and

   (c) the Company will apply the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares and the reduction of its share capital referred to in paragraph 1.(a) above in paying up in full at par the New Shares.

PART II
CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to paragraph 1 of this Scheme, the Offeror, will pay or cause to be paid, subject to paragraph 3 of this Scheme, to each Scheme Shareholder as appearing in the Register as at the Scheme Record Date, HK$2.03 in cash for every Scheme Share cancelled.

PART III
GENERAL

3. (a) Not later than seven Business Days after the Effective Date, the Offeror shall, in respect of the Scheme Shareholders (as appearing in the Register as at the Scheme Record Date) who will receive cash in respect of their holdings of Scheme Shares, send or cause to be sent to such Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.

   (b) Unless indicated otherwise in writing to the branch share registrar and transfer office of the Company in Hong Kong, (being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before the Effective Date, all such cheques shall be sent through the post (by airmail where appropriate) in pre-paid envelopes addressed to such Scheme Shareholders as follows:

      (i) in the case of each sole Scheme Shareholder, the registered address of such Scheme Shareholder as appearing in the Register as at the Scheme Record Date; or

(ii) in the case of joint Scheme Shareholders, the registered address as appearing in the Register as at the Scheme Record Date of the first named joint Scheme Shareholder in respect of the relevant joint holding.

(c) For Beneficial Owners that hold Scheme Shares through a nominee (other than HKSCC Nominees Limited), cheques made out in the name of the nominee will be sent by post in pre-paid envelopes addressed to the nominee (in the manner set out in paragraph 3(b) above). For Beneficial Owners whose Scheme Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, cheques will be in envelopes addressed to and made available for collection by HKSCC Nominees Limited. Upon receipt of cheque, HKSCC Nominees Limited will cause such payment to be credited to the designated bank accounts of the relevant CCASS Participants in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

(d) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3.(b) and 3.(c) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Company and the Offeror for the moneys expressed to be represented thereby.

(e) All cheques shall be posted at the risk of the addressees and other persons entitled thereto and the Company, the Offeror and any other persons involved in this Scheme shall not be liable for any loss or delay in transmission.

(f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3.(b) and 3.(c) of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not then been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Company's name with a licensed bank in Hong Kong selected by the Company. The Company shall hold such monies on trust for those entitled under the terms of this Scheme until the expiry of six years from the Effective Date and shall prior to such date make payments from such monies of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Company that they are respectively entitled thereto, provided that the cheques referred to in paragraph 3.(b) or 3.(c) of this Scheme of which they are payees have not been cashed. Any payments made by the Company hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank in which the monies are deposited, subject, if applicable, to the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses. The Company shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Company to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

(g) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and the Company shall thereafter transfer to the Offeror the balance (if any) of the sums standing to the credit of the deposit account referred to in paragraph 3.(f) of this Scheme including accrued interest subject to, if applicable, the deduction of interest tax or any withholding or other tax or any other deduction required by law and subject also to the deduction of any expenses.

(h) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.

(i) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.

4. With effect from the Effective Date:

(i) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title and every holder thereof shall be bound, on the request of the Company, to deliver up to the Company the certificate(s) in respect of its, his or her entire holding of Scheme Shares;

(ii) all mandates or other instructions to the Company in force as at the Effective Date in relation to the Scheme Shares (including elections for the payment of dividends by way of scrip) shall cease to be valid as effective mandates or instructions; and

(iii) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any Scheme Shares shall, with effect from the Effective Date, cease to be valid for all purposes as instruments of transfer.

5. This Scheme shall become effective as soon as a copy of the Order of the Court sanctioning this Scheme under section 99 of the Companies Act shall have been delivered to the Registrar of Companies in Bermuda for registration.

6. The Company and the Offeror may jointly consent for and on behalf of all concerned to any modification(s) of or addition(s) to this Scheme or to any condition(s) which the Court may see fit to approve or impose.

7. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, and all costs, charges and expenses of advisors and counsels appointed by the Offeror will be borne by the Offeror, and the Offeror and the Company will each bear its other costs, charges and expenses of this Scheme.

8. This Scheme shall be governed by Bermuda law.

Dated March 12, 2018

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2018: NO. 30

IN THE MATTER OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

AND IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the "**Order**") dated March 8, 2018 made in the above matter, the Court has directed a meeting (the "**Court Meeting**") of the Scheme Shareholders (as defined in the Scheme hereinafter mentioned) to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the "**Scheme**") proposed to be made between Pou Sheng International (Holdings) Limited (the "**Company**") and the Scheme Shareholders (as defined in the Scheme) and that the Court Meeting will be held at Centenary Room III, G/F, Marco Polo Hongkong Hotel, 3 Canton Road, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, April 9, 2018 at 9:30 a.m. (Hong Kong time) at which place and time all the Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory statement explaining the Scheme pursuant to Section 100 of the Companies Act 1981 are incorporated in the composite scheme document of which this notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the composite scheme document.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that **pink** forms appointing proxies be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 9:30 a.m. on Saturday, April 7, 2018, but if the forms are not so lodged they may be handed to the Chairman of the Court Meeting at the Court Meeting.

By the Order, the Court has appointed Mr. Wu, Pan-Tsu or, failing him, Mr. Lee, Shao-Wu or, failing him, any other director of the Company to act as Chairman of the Court Meeting and has directed the Chairman to report the results of the Court Meeting to the Court.

The Scheme will be subject to the subsequent approval of the Court.

Dated this 12th day of March 2018.

By order of the Court

Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Attorneys for the Company

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Pou Sheng International (Holdings) Limited (the "**Company**") will be held at Centenary Room III, G/F, Marco Polo Hongkong Hotel, 3 Canton Road, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, April 9, 2018 at 10:00 a.m. (Hong Kong time) (or immediately after the Court Meeting (as defined in the Scheme set out in the scheme document of which this notice forms part) convened at the direction of the Supreme Court of Bermuda at the same place and on the same day shall have been concluded or adjourned, whichever is the later), for the purposes of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

"**THAT**

(a) for the purposes of giving effect to the scheme of arrangement dated March 12, 2018 (the "**Scheme**"), in the form of the print contained in the scheme document of which this notice forms part dated March 12, 2018, between the Company and the Scheme Shareholders (as defined in the Scheme), with any modifications thereof or additions thereto or subject to any conditions approved or imposed by the Court (as defined in the Scheme), on the Effective Date (as defined in the Scheme) the Company shall issue one share at par to the Offeror (as defined in the Scheme) or its designated wholly-owned subsidiary and forthwith upon such issue of share, the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);

(b) the Company shall allot and issue, fully paid at par such number of New Shares (as defined in the Scheme) as is equal to the number of Scheme Shares referred to in (a) above which are cancelled and extinguished, to the Offeror or its designated wholly-owned subsidiary(ies) immediately upon the cancellation and extinguishment of the Scheme Shares referred to in (a) above on the Effective Date;

(c) the Company shall apply the credit arising in its books of account as a result of the reduction of share capital referred to in (a) above in paying-up in full at par the New Shares referred to in (b) above; and

(d) any one of the directors of the Company be and is hereby authorized to do all acts and things as considered by him to be necessary or desirable in connection with the completion of the Scheme, including, without limitation, the giving or implementation of consent to any modifications of, or additions to, the Scheme, which the Court may see fit to impose and to do all other acts and things as considered by him to be necessary or desirable in connection with the Proposal (as defined in the Scheme) or in order to give effect to the transactions referred to above."

By Order of the Board of
Pou Sheng International (Holdings) Limited
Wu, Pan-Tsu
Chairman

Hong Kong, March 12, 2018

Principal Place of Business:
22nd Floor, C-Bons International Center,
108 Wai Yip Street,
Kwun Tong, Kowloon, Hong Kong

As at the date of this notice, the Board comprises:

Executive Directors
Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu (Chief Executive Officer)

Non-Executive Directors
Ms. Tsai Patty, Pei Chun and Mr. Li I-nan

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

Notes:

1. For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, April 3, 2018 to Monday, April 9, 2018 (both days inclusive) and, during such period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, March 29, 2018.

2. A member entitled to attend and vote at the SGM by the above notice is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is appointed.

3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. Where there are joint holders of any share of the Company, any one of such persons may vote at the SGM either personally or by proxy, in respect of such share of the Company as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holding.

5. A form of proxy for use in connection with the SGM is enclosed.

6. References to time and dates in this notice are to Hong Kong time and dates.

The following is a sample of the Option Offer Letter being sent to the Pou Sheng Optionholders in connection with the Option Offer.

March 12, 2018

To the Pou Sheng Optionholders

Dear Sir or Madam

OPTION OFFER IN RELATION TO THE PROPOSED PRIVATIZATION OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED BY POU CHEN CORPORATION BY WAY OF A SCHEME OF ARRANGEMENT (UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA)

A composite scheme document dated the same date as this letter issued jointly by Pou Chen Corporation ("**Pou Chen**") and Pou Sheng International (Holdings) Limited ("**Pou Sheng**") (the "**Scheme Document**") is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings and construction as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

Pou Chen, Pou Sheng and Yue Yuen Industrial (Holdings) Limited jointly announced on January 21, 2018 (the "**Joint Announcement**") that, among others, Pou Chen requested the Pou Sheng Board to put forward a proposal to privatize Pou Sheng by way of a scheme of arrangement under Section 99 of the Bermuda Companies Act. As stated in the Joint Announcement, as part of the Proposal, Pou Chen will make (or procure to be made on its behalf) an appropriate offer to the Pou Sheng Optionholders in accordance with Rule 13 of the Takeovers Code ("**Option Offer**"). The Option Offer will be conditional upon the Scheme becoming effective.

This letter explains the terms of the Option Offer and the actions you may take in relation to your Pou Sheng Options. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the documentation under which each of your Pou Sheng Options was granted.

TERMS OF THE OPTION OFFER

The Option Offer is conditional on the Scheme becoming effective and its terms are as follows.

Exercise period for the Pou Sheng Options

Paragraph 5.3(f) of the rules of the Pou Sheng Share Option Scheme provides that if a general offer for Pou Sheng Shares by way of a scheme of arrangement is made to all the Pou Sheng Shareholders and has been approved by the requisite majority at the requisite meetings, Pou Sheng shall forthwith give notice thereof to each grantee and the grantee (or his/her legal personal representative) may at any time thereafter (but before such time as shall be notified by Pou Sheng) exercise his/her Pou Sheng Options to its full extent or to the extent specified in such notice.

Paragraph 6(d) of the rules of the Pou Sheng Share Option Scheme provides that subject to the relevant scheme of arrangement (as contemplated in paragraph 5.3(f) of the rules of the Pou Sheng Share Option Scheme) becoming effective, any outstanding Pou Sheng Options shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period for exercising the Pou Sheng Options set out in the notice mentioned above.

Accordingly, the Pou Sheng Board has resolved as follows:

(1) that the period designated to Pou Sheng Optionholders to exercise their Pou Sheng Options (whether vested or unvested) in accordance with paragraph 5.3(f) of the rules of the Pou Sheng Share Option Scheme shall begin on the date that Conditions (a), (b) and (c) in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of the Scheme Document have been fulfilled and shall end on the Latest Option Exercise Date (the "**Designated Period**"); and

(2) any Pou Sheng Options (whether vested or unvested) outstanding after the Designated Period and for which no valid Form of Option Offer Acceptance in respect of the Option Offer has been lodged with Computershare Hong Kong Investor Services Limited shall automatically lapse on the date immediately after the Effective Date.

Entitlements of Pou Sheng Optionholders who accept the Option Offer

Pou Sheng Optionholders who accept the Option Offer and lodge a validly completed Form of Option Offer Acceptance in accordance with the terms in this letter will be entitled to receive the Option Cancellation Price for each Pou Sheng Option which is tendered in acceptance of the Option Offer. The following table sets out the exercise price of all the outstanding Pou Sheng Options and their respective Option Cancellation Price under the Option Offer:

Date of grant	Exercise price *(HK$)*	Exercisable period	Option Cancellation Price *(HK$)*	Number of Pou Sheng Shares into which Pou Sheng Options (vested and unvested) are exercisable
January 20, 2011	1.230	Until January 19, 2019	0.800	20,839,000
March 7, 2012	1.050	Until March 6, 2020	0.980	375,000
November 14, 2016	2.494	Until September 1, 2019	0.00001	1,166,320
		From September 1, 2018 to September 1, 2020	0.00001	1,166,320
		From September 1, 2019 to September 1, 2021	0.00001	1,166,320
		From September 1, 2020 to September 1, 2022	0.00001	2,332,640
		From September 1, 2021 to September 1, 2023	0.00001	5,831,590
			Total	**32,877,190**

The Option Cancellation Price represents the "see-through" price of the Pou Sheng Options, being the amount by which the Cancellation Price under the Scheme exceeds the exercise price of each Pou Sheng Option or where the exercise price of the Pou Sheng Option is equal to or above the Cancellation Price, a nominal amount of HK$0.00001.

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer will become unconditional immediately upon the Effective Date and prior to Pou Sheng being de-listed from the Stock Exchange. The Conditions of the Proposal are set out in the section headed "3. Conditions to the Proposal and the Scheme" in the explanatory statement in Part VII of the Scheme Document.

Payments in respect of the Option Offer will be made within seven (7) Business Days following the closing date of the Option Offer via wire payment to Pou Sheng's bank account for further distribution to Pou Sheng Optionholders. You may face delays or obstacles in changing Hong Kong dollars to other currency or cashing such cheques in certain locations or situations. Settlement of the Option Cancellation Price to which the Pou Sheng Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Pou Chen may otherwise be, or claim to be, entitled against such Pou Sheng Optionholder.

You are further advised to refer to the sections headed "12. Registration and Payment", "13. Overseas Pou Sheng Shareholders and Pou Sheng Optionholders" and "14. Taxation" in the explanatory statement in Part VII of the Scheme Document.

How to Accept the Option Offer

The Form of Option Offer Acceptance is attached to this letter and can also be downloaded from www.pousheng.com. If you do not intend to exercise your Pou Sheng Options before the expiry of the Designated Period, you are strongly advised to read carefully the Scheme Document before deciding whether or not to accept the Option Offer.

To accept the Option Offer, you should complete and return the duly executed Form of Option Offer Acceptance to Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and marked "Pou Sheng International (Holdings) Limited – Option Offer" by not later than 4:00 p.m. on Wednesday, May 30, 2018 (or such other date and time as may be notified to the Pou Sheng Optionholders by or on behalf of Pou Chen).

COURSES OF ACTION AVAILABLE TO POU SHENG OPTIONHOLDERS

In summary, the choices available to you in respect of your Pou Sheng Options are:

(1) **Exercise your Pou Sheng Options**. You may in accordance with the terms of the Pou Sheng Share Option Scheme (as applicable) exercise all or any of your Pou Sheng Options (to the extent not already exercised) to its full extent or to the extent specified in your notice of exercise of Pou Sheng Options to Pou Sheng at any time up to the expiry of the Designated Period. Any Pou Sheng Shares issued as a result of the exercise of such Pou Sheng Options will be Scheme Shares and **will be subject to and eligible to participate in the Scheme.** The holders of such Pou Sheng Shares may also be entitled to exercise their voting rights at the Court Meeting and the SGM. Please refer to the Scheme Document for details of the Proposal and the Scheme in this regard; or

(2) **Accept the Option Offer**. You may also duly complete and deliver the Form of Option Offer Acceptance to Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on May 30, 2018 to accept the Option Offer. If you accept the Option Offer, upon the Scheme becoming effective, you will be entitled to receive the Option Cancellation Price in respect of each Pou Sheng Option for which you have accepted the Option Offer.

If you choose neither of the above courses of action, your Pou Sheng Options will lapse on the date immediately after the Effective Date and you will not be eligible to participate in the Scheme nor receive the Option Cancellation Price.

Each Pou Sheng Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining sections of this letter, the Scheme Document and the terms of the Pou Sheng Share Option Scheme (as applicable).

Assuming the Option Offer becomes unconditional on May 30, 2018 (Bermuda time), payment of the Option Cancellation Price are expected to be made on or before June 8, 2018.

POU SHENG OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the Pou Sheng Options held by you as at the Latest Practicable Date is available from the company secretary of Pou Sheng. If there is any exercise of your Pou Sheng Options after the Latest Practicable Date, you will be entitled to tender acceptance only for such Pou Sheng Options that remains unexercised as at the expiry of the Designated Period.

LAPSED POU SHENG OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Pou Sheng Option which lapses, will lapse, or has already lapsed, under the terms of the Pou Sheng Share Option Scheme (as applicable) prior to the expiry of the Designated Period. You will not be entitled to tender acceptance in respect of a Pou Sheng Option which has lapsed in accordance with its terms on or prior to the expiry of the Designated Period.

RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

In the letter from Anglo Chinese set out in the Scheme Document, Anglo Chinese states that it considers the terms of the Option Offer to be fair and reasonable.

The Independent Board Committee, having considered the terms of the Option Offer and having taken into account the advice from Anglo Chinese, in particular the factors, reasons and recommendations as set out in the letter from Anglo Chinese, considers that the terms of the Option Offer are fair and reasonable.

Your attention is drawn to the letter from Anglo Chinese and the letter from the Independent Board Committee set out in the Scheme Document.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take. If you are in any doubt as to any aspect of this letter, the Scheme Document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

GENERAL

All communications, notices, cheques, certificates and other documents of any nature to be delivered by or sent to or from Pou Sheng Optionholder(s) will be delivered by or sent to or from them, or their designated agents, at their risk, and none of Pou Chen or Pou Sheng accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

The Option Offer will be governed by and construed in accordance with the laws of Hong Kong.

RESPONSIBILITY STATEMENTS

The Pou Sheng Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter (relating to the Pou Sheng Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (relating to opinions expressed by the Pou Sheng Group) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

The Pou Chen Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Pou Sheng Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Pou Sheng Group) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

By Order of the Board of
Pou Chen Corporation
Chan Lu Min
Chairman

By Order of the Board of
Pou Sheng International (Holdings) Limited
Wu, Pan-Tsu
Chairman

The following is the text of a letter, prepared for inclusion in this Scheme Document, received from Anglo Chinese, in relation to the Pou Sheng Group's profit estimate for the nine months ended September 30, 2017.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
www.anglochinesegroup.com

英高財務顧問有限公司

March 12, 2018

The Board of Directors
Pou Sheng International (Holdings) Limited

22/F, C-Bons International Center
108 Wai Yip Street
Kwun Tong
Hong Kong

Dear Sirs,

Profit Forecast under Rule 10 of The Code on Takeovers and Mergers (the "Takeovers Code")

We refer to the estimate of the consolidated profit of Pou Sheng International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") attributable to equity holders of the Company for the nine months ended September 30, 2017 (the "**Profit Estimate**") set forth in section 4 of Appendix I headed "Financial Information of the Pou Sheng Group" to the scheme document of the Company dated March 12, 2018 (the "**Scheme Document**"). The Profit Estimate is regarded as profit forecast and is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Profit Estimate has been made by the directors of the Company (the "**Directors**") based on the unaudited consolidated results of the Group based on the management accounts of the Group for the nine months ended September 30, 2017. The Directors are solely responsible for the Profit Estimate.

We have reviewed the Profit Estimate and discussed with the Directors the basis of and the accounting policies adopted for preparing of the Profit Estimate. We have also considered the report from Deloitte Touche Tohmatsu on the Profit Estimate dated March 12, 2018 to you, the text of which is set out in the Appendix VIII to the Scheme Document, which stated that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Section 4 of Appendix I of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the interim report of the Company for the six months ended June 30, 2017.

Based on the above, we are satisfied that the Profit Estimate was prepared by the Directors with due care and consideration.

This report is provided to the Company solely for the purpose of complying with Rule 10 of the Takeovers Code and for no other purpose. We have given and not withdrawn our consent to the publication of this letter and references to our name and logo in the form and context in which they respectively appear in the Scheme Document. We do not accept any responsibility to any person(s), other than the Company, in respect of, arising out of, or in connection with this report. Save for its inclusion in Appendix VII to the Scheme Document, this report is not to be quoted or referred to, in whole or in part, nor shall this report be used for any other purposes, without our prior written consent.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Dian Deng
Director

The following is the text of a letter, prepared for inclusion in this Scheme Document, received from Deloitte, in relation to the Pou Sheng Group's profit estimate for the nine months ended September 30, 2017.

Deloitte. 德勤

March 12, 2018

The Directors
Pou Sheng International (Holdings) Limited
22/F, C-Bons International Center
108 Wai Yip Street
Kwun Tong
Hong Kong

Dear Sirs,

Pou Sheng International (Holdings) Limited ("the Company")

Profit Estimate for the Nine months Ended September 30, 2017

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as "the Group") attributable to equity holders of the Company for the nine months ended September 30, 2017 ("the Profit Estimate") set forth in section 4 of Appendix I headed "Financial Information of the Pou Sheng Group" in the scheme document of the Company dated March 12, 2018 ("the Scheme Document").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results of the Group based on the management accounts of the Group for the nine months ended September 30, 2017.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in section 4 of Appendix I of the Scheme Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the interim report of the Company for the six months ended June 30, 2017.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong