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**YUE YUEN INDUSTRIAL
(HOLDINGS) LIMITED**
裕元工業(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 551)



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

JOINT ANNOUNCEMENT

**DISCLOSEABLE
TRANSACTION**

**DISCLOSEABLE AND
CONNECTED TRANSACTION**

IN RELATION TO THE PROPOSED ACQUISITION OF 45% EQUITY INTEREST IN A JOINT VENTURE

THE ACQUISITION

The Pou Sheng Board and the Yue Yuen Board are pleased to jointly announce that on 31 December 2021 (after trading hours), the Parties entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Equity Interest, representing 45% equity interest in the Joint Venture, at the Consideration.

The Joint Venture mainly engages in distribution and retailing of sportswear and footwear products on online platforms and related fulfilment and consulting services in the PRC.

As at the date of this announcement, the equity interest of the Joint Venture is owned as to 55% by the Purchaser and 45% by the Vendor. Upon Completion, the Purchaser will own 100% equity interest in the Joint Venture and the Vendor will cease to own any equity interest in the Joint Venture. Members of the JV Group will become indirect wholly-owned subsidiaries of Pou Sheng and indirect non wholly-owned subsidiaries of Yue Yuen respectively, and the financial results of which will be consolidated into the financial statements of the Pou Sheng Group and the Yue Yuen Group.

THE LISTING RULES IMPLICATIONS

Yue Yuen is a controlling shareholder of Pou Sheng holding approximately 62.55% of the total issued Pou Sheng Shares as at the date of this announcement. The Purchaser is an indirect wholly-owned subsidiary of Pou Sheng and an indirect non wholly-owned subsidiary of Yue Yuen. As one or more of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition for both Pou Sheng and Yue Yuen are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for each of Pou Sheng and Yue Yuen and is therefore subject to the reporting and announcement requirements, but is exempt from the Pou Sheng Shareholders' and Yue Yuen Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Vendor is a substantial shareholder of the Joint Venture holding 45% of its equity interest, it is a connected person at subsidiary level of Pou Sheng under Chapter 14A of the Listing Rules. The Acquisition therefore constitutes a connected transaction for Pou Sheng under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as the Pou Sheng Board has approved the Acquisition, and the independent non-executive Pou Sheng Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of Pou Sheng and the Pou Sheng Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and Pou Sheng Shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.09 of the Listing Rules, as the consolidated total assets, profits and revenue of the JV Group when compared to those of the Yue Yuen Group are less than 10% under the applicable percentage ratios for each of the latest three financial years, members of the JV Group are insignificant subsidiaries of Yue Yuen and therefore the Acquisition does not constitute a connected transaction for Yue Yuen under Chapter 14A of the Listing Rules.

INTRODUCTION

The Pou Sheng Board and the Yue Yuen Board are pleased to jointly announce that on 31 December 2021 (after trading hours), the Parties entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Equity Interest, representing 45% equity interest in the Joint Venture, at the Consideration.

The Joint Venture mainly engages in distribution and retailing of sportswear and footwear products on online platforms and related fulfilment and consulting services in the PRC.

PRINCIPAL TERMS OF THE AGREEMENT

Date

31 December 2021

Parties

- (1) The Vendor, as vendor
- (2) The Purchaser, as purchaser
- (3) The Joint Venture, as the target company

Subject Matter

The Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Equity Interest.

Consideration

The consideration of the Acquisition (the “**Consideration**”) shall be equal to an amount which is equivalent to 45% of the consolidated net asset value of the JV Group as shown in the audited consolidated financial statements of the JV Group (made up to the Benchmark Date) (the “**FY2021 Audited Accounts**”).

The Consideration shall in no event exceed RMB300,000,000 (equivalent to approximately HK\$367,410,000).

The Consideration shall be funded and settled by way of transfer of Inventories (the “**Consideration Inventories**”) which shall be satisfied and delivered in the following manner:

1. the Vendor and the Purchaser shall, within three Business Days of the Agreement, confirm in writing the proposed list of Consideration Inventories based on their book value as shown in the unaudited accounts prepared by the Joint Venture as at the Benchmark Date (the “**Benchmark Date Accounts**”);
2. the delivery of 80% of the Consideration Inventories (the “**First Batch Inventories**”) shall be completed by 28 February 2022;
3. within five Business Days of delivery of the FY2021 Audited Accounts:
 - a. in the event the value of the First Batch Inventories as shown in the FY2021 Audited Accounts is higher than that shown in the Benchmark Date Accounts, the Vendor shall return the Inventories which represent the difference in value; or
 - b. in the event the value of the First Batch Inventories as shown in the FY2021 Audited Accounts is lower than that shown in the Benchmark Date Accounts, the Vendor shall be entitled to additional Inventories which represent the difference in value; and

4. the remaining 20% of the Consideration Inventories (the “**Second Batch Inventories**”) shall be delivered on or before 31 March 2022, provided that if Completion does not take place before 31 March 2022, the delivery of the Second Batch Inventories shall be conducted within five Business Days of Completion.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the financial performance and position of the JV Group, and the unaudited consolidated net asset value of the JV Group.

Conditions Precedent and Completion

Completion shall take place on or before 31 March 2022 unless otherwise agreed between the Parties, and is subject to and conditional upon the following conditions (the “**Conditions**”) being satisfied or waived in accordance with the Agreement:

- (a) execution of all necessary documents in relation to the Acquisition;
- (b) having obtained all internal and external permits, consents, approvals and authorisations for the Acquisition including those from third parties or government authorities;
- (c) the directors, supervisors, senior management and other employees of the Joint Venture nominated and/or assigned by the Vendor having delivered their letters of resignation to the Joint Venture and terminated their employment relationship with the Joint Venture;
- (d) all representations and warranties under the Agreement remain true, complete and accurate as at the Completion Date;
- (e) all undertakings under the Agreement which are to be performed on or before the Completion Date having been duly performed; and
- (f) no restrictions, judgments, orders or proceedings which would forbid Completion or may cause a material adverse impact on the Acquisition.

Within three Business Days of satisfaction or waiver (as applicable) of all the Conditions, the Parties shall submit documents with regard to the Acquisition to the local branch of SAMR. Completion of the Acquisition (the “**Completion**”) shall take place when the Purchaser is registered as the owner of 100% equity interest in the Joint Venture at the local SAMR.

Upon Completion, the Purchaser will own 100% equity interest in the Joint Venture and the Vendor will cease to own any equity interest in the Joint Venture. Members of the JV Group will become indirect wholly-owned subsidiaries of Pou Sheng and indirect non wholly-owned subsidiaries of Yue Yuen respectively, and the financial results of which will be consolidated into the financial statements of the Pou Sheng Group and the Yue Yuen Group. The shareholder loans to the Joint Venture are fully repaid by way of delivery of inventories of equivalent value to the Purchaser and the Vendor respectively.

INFORMATION ON THE PARTIES, POU SHENG AND YUE YUEN

Vendor

The Vendor is a company incorporated under the laws of the PRC with limited liability. The ultimate parent company of the Vendor is Vipshop Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the New York Stock Exchange with stock code VIPS. The principal activities of the Vendor are operations of online platforms and retail stores that offer high-quality branded products to consumers in the PRC.

As at the date of this announcement, the Vendor owns 45% equity interest in the Joint Venture.

Purchaser

The Purchaser is a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Pou Sheng and an indirect non wholly-owned subsidiary of Yue Yuen. The principal activities of the Purchaser are retailing and internet sales of sportswear.

As at the date of this announcement, the Purchaser owns 55% equity interest in the Joint Venture.

Pou Sheng

Pou Sheng is an investment holding company. The subsidiaries of Pou Sheng are principally engaged in the distribution and retailing of sportswear and footwear products, provision of sports services, and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales.

Yue Yuen

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

Joint Venture

The Joint Venture is a company incorporated under the laws of the PRC with limited liability. As at the date of this announcement, the Purchaser and the Vendor hold 55% and 45% equity interests in the Joint Venture, respectively.

The principal activities of the Joint Venture are distribution and retailing of sportswear and footwear products on online platforms and related fulfilment and consulting services in the PRC.

The unaudited consolidated financial information of the JV Group for the financial years ended 31 December 2019 and 2020, being the two financial years immediately preceding the Acquisition, which was prepared in accordance with HKFRS, is set out below:

	For the year ended	
	31 December,	
	2020	2019
Financial performance	RMB million	RMB million
	(unaudited)	(unaudited)
Revenue	2,806.7	2,376.2
Net profit before taxation	49.2	91.7
Net profit for the year	27.9	56.4

	As at 31 December,	
	2020	2019
Financial position	RMB million	RMB million
	(unaudited)	(unaudited)
Total equity	688.7	460.8

The original subscription cost of the Vendor for 45% equity interest in the Joint Venture being the Sale Equity Interest is RMB270 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Joint Venture has a well-established network with online retailers/distributors in the PRC. In view of the overall operation and business strategies of the Pou Sheng Group, the Pou Sheng Board and the Yue Yuen Board believe that by increasing the Purchaser's interest in the JV Group, the Acquisition will further optimise the online distribution and shorten the sales cycle of Pou Sheng Group, which will improve the retail network efficiency and be beneficial for the Pou Sheng Group's business expansion and development in the future.

The Pou Sheng Directors (including the independent non-executive Pou Sheng Directors) are of the view that the Acquisition is made on normal commercial terms and the terms thereof are fair and reasonable and the Acquisition is in the interests of Pou Sheng and the Pou Sheng Shareholders as a whole.

The Yue Yuen Directors (including the independent non-executive Yue Yuen Directors) are of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of Yue Yuen and the Yue Yuen Shareholders as a whole.

None of the Pou Sheng Directors or the Yue Yuen Directors has a material interest in the Acquisition.

THE LISTING RULES IMPLICATIONS

Yue Yuen is a controlling shareholder of Pou Sheng holding approximately 62.55% of the total issued Pou Sheng Shares as at the date of this announcement. The Purchaser is an indirect wholly-owned subsidiary of Pou Sheng and an indirect non wholly-owned subsidiary of Yue Yuen. As one or more of the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition, for both Pou Sheng and Yue Yuen are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for each of Pou Sheng and Yue Yuen and is therefore subject to the reporting and announcement requirements, but is exempt from the Pou Sheng Shareholders' and Yue Yuen Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Vendor is a substantial shareholder of the Joint Venture holding 45% of its equity interest, it is a connected person at subsidiary level of Pou Sheng under Chapter 14A of the Listing Rules. The Acquisition therefore constitutes a connected transaction for Pou Sheng under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as the Pou Sheng Board has approved the Acquisition, and the independent non-executive Pou Sheng Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of Pou Sheng and the Pou Sheng Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and Pou Sheng Shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.09 of the Listing Rules, as the consolidated total assets, profits and revenue of the JV Group when compared to those of the Yue Yuen Group are less than 10% under the applicable percentage ratios for each of the latest three financial years, members of the JV Group are insignificant subsidiaries of Yue Yuen and therefore the Acquisition does not constitute a connected transaction for Yue Yuen under Chapter 14A of the Listing Rules.

As Completion is subject to and conditional upon satisfaction or waiver (as appropriate) of the Conditions, the Acquisition may or may not proceed. Pou Sheng Shareholders and potential investors of Pou Sheng are advised to exercise caution when dealing in the Pou Sheng Shares. Yue Yuen Shareholders and potential investors of Yue Yuen are advised to exercise caution when dealing in the Yue Yuen Shares.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Equity Interest by the Purchaser from the Vendor as contemplated under the Agreement
“Agreement”	the equity interest transfer agreement dated 31 December 2021 entered into by the Parties in relation to the Acquisition
“Benchmark Date”	31 December 2021
“Benchmark Date Accounts”	have the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Consideration”
“Business Day(s)”	any day(s) on which commercial banks in the PRC are open for business except Saturdays, Sundays and public holidays
“Completion”	has the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Conditions Precedent and Completion”
“Completion Date”	the date on which Completion takes place
“Conditions”	have the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Conditions Precedent and Completion”
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	has the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Consideration”
“Consideration Inventories”	have the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Consideration”

“First Batch Inventories”	have the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Consideration”
“FY2021 Audited Accounts”	have the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Consideration”
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inventories”	inventories belong to the Purchaser
“Joint Venture”	Kunshan Baowei Information Technology Co., Ltd. (昆山寶唯信息科技有限公司), a company incorporated under the laws of the PRC with limited liability, whose equity interest is owned as to 55% by the Purchaser and 45% by the Vendor as at the date of this announcement
“JV Group”	the Joint Venture and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Vendor, the Purchaser and the Joint Venture
“Pou Sheng”	Pou Sheng International (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Pou Sheng Shares are listed on the Stock Exchange with stock code 3813
“Pou Sheng Board”	the board of directors of Pou Sheng
“Pou Sheng Director(s)”	the director(s) of Pou Sheng
“Pou Sheng Group”	Pou Sheng and its subsidiaries
“Pou Sheng Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Pou Sheng
“Pou Sheng Shareholder(s)”	holder(s) of the Pou Sheng Share(s)

“PRC”	The People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchaser”	Yue Cheng (Kunshan) Sports Co., Ltd (裕晟(昆山)體育用品有限公司), a company with limited liability incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of Pou Sheng and an indirect non wholly-owned subsidiary of Yue Yuen
“RMB”	Renminbi, the lawful currency of PRC
“Sale Equity Interest”	45% equity interest in the Joint Venture owned by the Vendor as at the date of this announcement
“SAMR”	State Administration for Market Regulation of the PRC
“Second Batch Inventories”	have the meaning ascribed to it in “PRINCIPAL TERMS OF THE AGREEMENT – Consideration”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Vendor”	Vipshop (China) Co., Ltd.* (唯品會(中國)有限公司), a company incorporated under the laws of the PRC with limited liability and a subsidiary of Vipshop Holdings Limited whose shares are listed on the New York Stock Exchange
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Yue Yuen Shares are listed on the Stock Exchange with stock code 551
“Yue Yuen Board”	the board of directors of Yue Yuen
“Yue Yuen Director(s)”	the director(s) of Yue Yuen
“Yue Yuen Group”	Yue Yuen and its subsidiaries
“Yue Yuen Share(s)”	ordinary share(s) of HK\$0.25 each in the issued share capital of Yue Yuen

“Yue Yuen holder(s) of the Yue Yuen Share(s)
Shareholder(s)”

“%” per cent

* *For identification purposes only*

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1: HK\$1.2247. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rate or at any other rates at all.

By Order of the Yue Yuen Board
Lu Chin Chu
Chairman

By Order of the Pou Sheng Board
Wu, Pan-Tsu
Chairman

Hong Kong, 31 December 2021

As at the date of this announcement, the Yue Yuen Board comprises:

Executive Directors

Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chan Lu Min, Mr. Lin Cheng-Tien, Mr. Hu Chia-Ho, Mr. Liu George Hong-Chih and Mr. Yu Huan-Chang.

Independent Non-executive Directors

Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Mr. Chen Chia-Shen.

Yue Yuen website: www.yueyuen.com

As at the date of this announcement, the Pou Sheng Board comprises:

Executive Directors

Mr. Wu, Pan-Tsu (Chairman), Mr. Lee, Shao-Wu (Chief Executive Officer) and Mr. Liao, Yuang-Whang (Chief Financial 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. Feng Lei Ming.

Pou Sheng website: www.pousheng.com