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## **Pou Sheng International (Holdings) Limited** **寶勝國際(控股)有限公司**

### **Pou Sheng Issues 823,378,000 Shares To Raise Up To HK\$3,087.7 Million**

(Hong Kong, 25 May 2008) Pou Sheng International (Holdings) Limited ("Pou Sheng" or the "Company", HKSE stock code: 3813), a leading sportswear retailer in the PRC, today announced the details of its Global Offering and proposed listing on the Main Board of the Hong Kong Stock Exchange ("HKSE").

Pou Sheng intends to offer a total of 823,378,000 Shares under the Global Offering. 741,040,000 Shares, representing 90% of the Offer Shares, will be initially offered for subscription under the International Offering (subject to adjustment and the Over-allotment Option). The International Offering also includes the Preferential Offering, under which the Company will offer 41,591,000 Shares for subscription by Qualifying Shareholders of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") (HKSE stock code: 0551) Shareholders. 82,338,000 Shares will be offered by way of a public offer in Hong Kong, representing 10% of the total number of the Offer Shares. All Offer Shares are primary shares. Immediately after the completion of the Global Offering, Yue Yuen will continue to be Pou Sheng's controlling shareholder through its wholly owned subsidiary, Major Focus Management Limited, holding 56.0% of its share capital (assuming that the Over-allotment Option is not exercised).

In connection with the Global Offering, the International Underwriters are granted an over-allotment option ("Over-allotment Option") by the Company, which is exercisable by the Joint Bookrunners. Pursuant to the Over-allotment Option, the Company will be required to allot and issue up to an aggregate of 123,506,000 additional Shares, representing in aggregate approximately 15% of the initial Offer Shares, at the Offer Price to cover over-allocations in the International Offering. The Offer Price will not be more than HK\$3.75 and is currently expected to be not less than HK\$2.93.

The net proceeds to be raised from the Global Offering, after deducting the underwriting commissions and estimated offering expenses payable by the Company in the Global Offering, assuming the Over-allotment Option is not exercised, will be approximately HK\$2,240 million to HK\$2,895 million. The proceeds are intended to be used as follows:

- approximately 32% will be used to expand the retail network and geographical coverage for its retail and brand licensee businesses;
- approximately 36% will be used to repay the additional bank borrowings that are expected to be raised prior to listing to repay related party loans;
- approximately 20% will be used to repay the bank borrowings that it borrowed for the purposes of providing shareholder's loans to some of its Regional Joint Ventures;
- approximately 6% will be used to pay down the cash portion of the call option premium which it agreed to provide to some of its Call Option JV's partners;
- approximately 4% will be used to expand its manufacturing capacity at the Taicang factory; and
- the remaining approximately 2% will be used to increase promotional and marketing activities for its brand licensee business.

Pou Sheng is a leading sportswear retailer in the PRC and has a presence in most of the major cities across 26 provinces, autonomous regions and municipalities directly under the central government in the PRC. As at December 31, 2007, Pou Sheng, together with its Regional Joint Ventures, directly operated 3,341 sportswear retail outlets in the Greater China Region.

Its extensive retail network is complemented by the retail network operated by its retail sub-distributors, which operated 747 retail outlets covering many of the major cities and provinces within the PRC. Its Regional Joint Ventures also sell on a wholesale basis to their retail sub-distributors who operated 2,232 retail outlets under their supervision. In addition, Pou Sheng also operates a brand licensee business under which it has exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set the retail price of products under the licensed brands. It is currently the exclusive brand licensee for certain international brands, namely *Converse*, *Wolverine*, and *Hush Puppies*. The number of retail outlets operated by its retail distributors and sub-distributors for its brand licensee business amounted to 3,254.

Pou Sheng distributes sportswear products for some of the leading international and domestic sportswear brands in the PRC, offering a wide range of sports footwear, apparel and accessories. Pou Sheng operates under the retail brand "YY Sports", together with the brand name of the sportswear products being distributed also displayed, and the majority of its retail outlets are mono-brand stores. Its brand portfolio includes leading international and domestic brands such as *Nike*, *Adidas*, *Li Ning*, *Kappa*, *Reebok*, *PUMA*, *Converse*, *Hush Puppies*, *Nautica*, *Wolverine* and *Asics*. It, together with its Regional Joint Ventures, are the number one sportswear retailer for two of the top three sportswear brand companies in the PRC, namely *Adidas* and *Li Ning*, the number two sportswear retailer for *Nike*, as well as the number one sportswear retailer for *Converse*, *Kappa*, *Reebok*, *PUMA*, *Hush Puppies*, and *Wolverine*, in each

case in terms of the number of directly operated retail outlets in the PRC as at December 31, 2007.

In addition, Pou Sheng possesses in-house manufacturing and IT capabilities. Pou Sheng manufactures for five brands, namely *Li Ning*, *ANTA*, *Umbro*, *Kappa* and *361<sup>o</sup>*, solely for sale to its OEM/ODM customers.

Facing the immense business opportunities offered by China's sportswear retail market, Pou Sheng is well poised to achieve encouraging growth. Mr Huang Tsung Jen, Tom, Chief Executive Officer said, "Pou Sheng is one of the largest sportswear retailers in the PRC with an extensive nationwide retail network. We operate a retail business in which we partner with leading international and domestic brand companies in the PRC. The diversity of our brand portfolio allows us to cater to a broad range of customers across age, gender, activity and income. Our leading market position allows us to seize the opportunities in the fast growing sportswear retail industry."

Pou Sheng has achieved rapid growth in revenue and profit under the leadership of its experienced management team. Its senior management is supported by experienced local retail management teams led by a district general manager for each sales region. Pou Sheng also enjoys a strong relationship with Yue Yuen who, as the largest sports footwear manufacturer globally, has developed a strong reputation among most of the leading sportswear companies. The Company is well positioned to benefit from Yue Yuen's existing relationships with brand companies who wish to increase their sales in the PRC, by offering to open additional retail outlets to sell their products or by entering into brand license arrangements with them.

Looking ahead, the Company is committed to strengthening its position as the leading sportswear retailer in the PRC. It will continue to expand its retail network and geographical coverage. It plans to expand its retail network by entering into new leases and concession agreements in attractive locations in its existing markets. It also intends to further increase its market presence in emerging cities in the PRC. While it will continue to focus its mono-brand format strategy, it will also explore alternative formats such as establishing additional sports complexes and multi-brand stores. In addition, it plans to increase the number and diversity of the brands and product lines that it carries. The Company has designated teams constantly seeking opportunities to partner with new brand companies or with existing brand companies in new product lines.

In order to enhance its brand recognition, the Company plans to further build its "YY Sports" brand name by offering customers a consistent and pleasant shopping experience. The Company believes that the purchasing decisions of its customers are influenced not only by the brands of the products that it distributes, but also by the level of recognition of our "YY Sports" brand name. As part of the strategy to further expand its retail network in the PRC, the Company will continue to selectively acquire, invest in, or enter into partnerships with leading regional retailers. It will carefully consider and evaluate the potential benefits brought by a potential acquisition and alliance to ensure that it will be able to successfully integrate the acquired business into its existing business platform.

"Despite the rapid growth of total sportswear consumption in the PRC in recent years, the expenditure per annum per capita in the PRC still lags far behind many developed

countries," Mr. Huang added. "Sportswear has become an indispensable part of the people's lifestyle in the PRC, thanks to the Beijing Olympics. It is expected that annual sportswear expenditure per capita in the PRC to grow at 20.7% annually between 2007 and 2011. Pou Sheng is set to enjoy encouraging growth under this business environment. We are confident in maintaining our leading market position and will strive to create win-win situation with our business partners, shareholders and employee."

The Hong Kong Public Offering is expected to open at 9:00 am on Monday, 26 May 2008 and is expected to close at 12:00 noon on Thursday, 29 May 2008. Allotment results and the Offer Price are expected to be announced or made available on Thursday, 5 June 2008. Dealing of Shares on the Main Board of the HKSE is expected to commence under stock code 3813 on Friday, 6 June 2008.

Merrill Lynch Far East Limited is the Sole Global Coordinator and Sole Financial Advisor for the Offering; Merrill Lynch International and Morgan Stanley Asia Limited are the Joint Bookrunners; Merrill Lynch Far East Limited and Morgan Stanley Asia Limited are the Joint Lead Managers and Joint Sponsors of the Global Offering.

White Application Forms and Prospectuses can be obtained from any participant of the SEHK, or any of the designated branches of The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited and The Standard Chartered Bank (Hong Kong) Limited. Applicants can effect their applications on-line via the designated White Form eIPO Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk); Yellow Application Forms and Prospectuses can be obtained from the HKSCC or from the applicant's stockbroker, who may have such Application Forms and Prospectuses available.

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## Pou Sheng International (Holdings) Limited Offer Statistics at-a-Glance

Global Offering	:	823,378,000 Shares (Subject to Over-allotment Option)
Offering Structure		
♦ Hong Kong Public Offer	:	82,338,000 Shares (Subject to Adjustment)
♦ International Offering	:	741,040,000 Shares (Subject to Adjustment and Over-allotment Option)
Proposed Offer Price Range	:	HK\$ 2.93 – HK\$ 3.75 per share
		<div style="display: flex; justify-content: space-around; font-size: small;"> <span><i>Based on Offer Price of HK\$ 2.93</i></span> <span><i>Based on Offer Price of HK\$ 3.75</i></span> </div>
Market Capitalization <sup>(1)</sup>	:	HK\$10,401.5 million    HK\$13,312.5 million
Profit Estimate for the Year Ended 30 September 2008		
Forecast Consolidated Profit Attributable to the Equity Holders of the Company	:	not less than US\$68 million (approximately HK\$530 million)
Expected Listing Date	:	6 June 2008 (Friday)
No. of Shares per board lot		1,000
Note (1): assuming the Over-allotment Option will not be exercised		

### Track Record

The following is a summary of the combined results of the Company.

	Financial year ended September 30,			Three months ended December 31,	
	2005	2006	2007	2006	2007
	(US\$ thousands)				
	US'000	US'000	US'000	US'000	US'000
	(unaudited)				
Revenue	207,177	372,960	555,903	101,608	185,028
Gross profit	78,822	139,167	201,010	38,077	68,037
Profit before taxation	8,336	28,324	58,418	9,174	24,397
Profit for the year/ period	6,025	21,012	43,934	7,444	19,678
Attributable to equity holders of the Company	3,315	11,383	31,927	5,676	16,170