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POU CHEN CORPORATION
寶成工業股份有限公司

(Incorporated in Taiwan with limited liability by shares)



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

- (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)**
- (2) PROPOSED WITHDRAWAL OF LISTING OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED**
- (3) POSSIBLE MAJOR AND CONNECTED TRANSACTION FOR YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED IN RELATION TO THE EFFECTIVE DISPOSAL OF ITS APPROXIMATELY 62.41% SHAREHOLDING IN POU SHENG INTERNATIONAL (HOLDINGS) LIMITED**
- AND**
- (4) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED AND YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED RESPECTIVELY**

Exclusive Financial Adviser to Pou Chen Corporation



Citigroup Global Markets Asia Limited

* For identification purpose only

INTRODUCTION

On January 21, 2018, 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.

THE PROPOSAL AND THE OPTION OFFER

The Scheme

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$2.03 per Scheme Share.

The Cancellation Price of HK\$2.03 per Scheme Share represents 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.

No increase in the Cancellation Price

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

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 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.

Please refer to the section headed “The Proposal and the Option Offer – Conditions to the Proposal and the Scheme” of this joint announcement for details of the Conditions.

The Option Offer

As at the Announcement Date, there are outstanding Pou Sheng Options exercisable into 35,002,190 Pou Sheng Shares granted under the Pou Sheng Share Option Scheme.

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. The Option Offer will be 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.

CONFIRMATION OF FINANCIAL RESOURCES

Assuming that all Pou Sheng Optionholders exercise their outstanding Pou Sheng Options to become Scheme Shareholders before the 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 Record Date, the amount of cash required for the Scheme is approximately HK\$10,837,253,689, and the amount of cash required for the Option Offer is approximately HK\$18,738,817.

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.

POSSIBLE YUE YUEN DISPOSAL

The Proposal will become effective and binding on Pou Sheng and all Pou Sheng Shareholders, including Yue Yuen, on the Effective Date. Accordingly, the Proposal, as and when it is implemented, will involve Yue Yuen effectively disposing of all its Pou Sheng Shares representing approximately 62.41% of the total issued share capital of Pou Sheng to Pou Chen at the Cancellation Price through the cancellation of all such Pou Sheng Shares in exchange for Pou Chen paying to Yue Yuen a total consideration of HK\$6,763,049,667. As Pou Chen is a controlling shareholder of Yue Yuen and therefore a connected person of Yue Yuen, the Yue Yuen Disposal, if proceeded with, will constitute a connected transaction for Yue Yuen under Chapter 14A of the Listing Rules. Based on the applicable size tests results, the Yue Yuen Disposal, if proceeded with, will also constitute a major transaction for Yue Yuen under Chapter 14 of the Listing Rules. In accordance with the requirements of the Listing Rules, the Yue Yuen Disposal will therefore be subject to approval from the Independent Yue Yuen Shareholders at the Yue Yuen SGM.

Approval by the Independent Yue Yuen Shareholders of the Yue Yuen Disposal is one of the Conditions to the Proposal and the Scheme becoming effective.

The Yue Yuen IBC, comprising all independent non-executive directors of Yue Yuen, namely, 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), has been established by the Yue Yuen Board to consider the possible Yue Yuen Disposal and to provide advice to the Independent Yue Yuen Shareholders on whether the terms of the Yue Yuen Disposal are fair and reasonable and in the interests of Yue Yuen and the Yue Yuen Shareholders as a whole and to advise the Independent Yue Yuen Shareholders on how to vote at the Yue Yuen SGM. The Yue Yuen IFA will be appointed to advise the Yue Yuen IBC and the Independent Yue Yuen Shareholders as to whether the terms of the Yue Yuen Disposal are, or are not, fair and reasonable.

Please refer to the section headed “Possible Yue Yuen Disposal” of this joint announcement for details of the Yue Yuen Disposal and its implications on Yue Yuen.

WITHDRAWAL OF LISTING OF THE POU SHENG SHARES

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 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. 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. An expected timetable for the implementation of the Proposal will be set out in the Scheme Document, which will also contain, among other things, further details of the Scheme.

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.

ESTABLISHMENT OF POU SHENG IBC

The Pou Sheng IBC, 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 Pou Sheng IBC.

The Pou Sheng IFA will be appointed by the Pou Sheng IBC in due course to advise the Pou Sheng IBC in relation to the Proposal, the Scheme and the Option Offer. An announcement will be made by Pou Sheng as soon as possible after the appointment of the Pou Sheng IFA.

DISPATCH OF THE SCHEME DOCUMENT

The Scheme Document containing, among other things, (i) further details of the Proposal, the Scheme and the Option Offer; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Bermuda Companies Act and the Bermuda Court Rules; (iv) the recommendations from the Pou Sheng IBC with respect to the Proposal, the Scheme and the Option Offer; (v) the advice of the Pou Sheng IFA to the Pou Sheng IBC; and (vi) notices of the Court Meeting and the Pou Sheng SGM together with forms of proxy in relation thereto, will be dispatched to the Scheme Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Bermuda Companies Act, the Bermuda Court Rules and any other applicable laws and regulations.

WARNING: 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.

INTRODUCTION

On January 21, 2018, 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:

- (a) all Scheme Shares held by the Scheme Shareholders on the Effective Date will be cancelled in exchange for the payment of the Cancellation Price for each Scheme Share;
- (b) on the Effective Date, 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

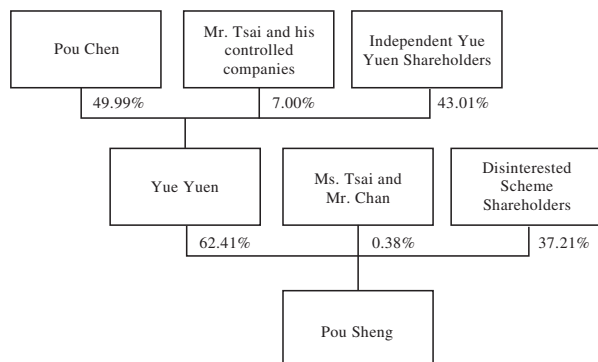
cancellation of the Scheme Shares will be applied in paying up in full at par the new Pou Sheng Shares so issued, credited as fully paid, to Pou Chen and/or its designated wholly-owned subsidiary(ies);

- (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.

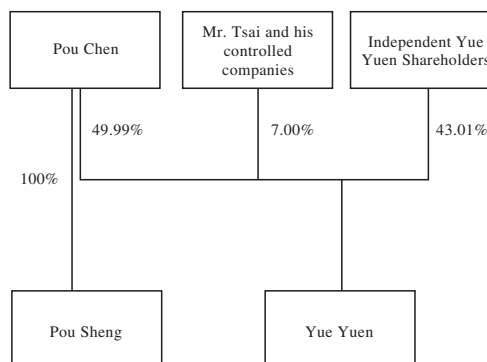
Pou Chen will also make (or procure to be made on its behalf) an appropriate offer to the Pou Sheng Optionholders to cancel all outstanding Pou Sheng Options, vested and unvested, in exchange for cash, in accordance with Rule 13 of the Takeovers Code.

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

As at the Announcement 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 Announcement Date, Pou Chen’s 49.99% shareholding in Yue Yuen is held through Wealthplus as to 46.90% and Win Fortune as to 3.09%; (ii) as at the Announcement Date, Yue Yuen’s 62.41% shareholding in Pou Sheng is 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.

For further details of the shareholding structure of Pou Sheng, please refer to the section headed “Shareholding structure – Shareholding structure of Pou Sheng” below.

Subject to the Independent Yue Yuen Shareholders approving the Yue Yuen Disposal and the Proposal and the Scheme becoming effective, Yue Yuen's approximately 62.41% of the total issued share capital of Pou Sheng will be cancelled and in exchange, Pou Chen will pay to Yue Yuen as a Scheme Shareholder a total consideration of HK\$6,763,049,667. The Yue Yuen Disposal, if proceeded with, will constitute a major and connected transaction under the Listing Rules for Yue Yuen. For further details, please refer to the section headed "Possible Yue Yuen Disposal" below.

THE PROPOSAL AND THE OPTION OFFER

The Scheme

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$2.03 per Scheme Share. On the Effective Date and immediately prior to the cancellation of the Scheme Shares, Pou Sheng will issue one Pou Sheng Share at par to Pou Chen or its designated wholly-owned subsidiary.

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; and

- (f) 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 Announcement Date.

During the period commencing one year preceding the Announcement Date, the highest and lowest closing prices of the Pou Sheng Shares as quoted on the Stock Exchange were, respectively, HK\$2.03 per Pou Sheng Share on February 15, 2017, and HK\$1.06 per Pou Sheng Share on December 14, 2017 and December 22, 2017.

The Cancellation Price has been determined on a commercial basis after taking into account the historical prices of the Pou Sheng Shares as quoted on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange, and other privatization transactions in Hong Kong in recent years.

No increase in the Cancellation Price

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

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 Pou Sheng 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) 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 Announcement Date, Pou Chen and Pou Sheng do 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 Announcement Date, Pou Chen and Pou Sheng are 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.

WARNING: 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.

The Option Offer

As at the Announcement Date, there are outstanding Pou Sheng Options exercisable into 35,002,190 Pou Sheng Shares granted under the Pou Sheng Share Option Scheme. As at the Announcement Date, none of Pou Chen and the Pou Chen Concert Parties holds any Pou Sheng Options.

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. The Option Offer will be 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 | 22,964,000 |
| 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 | 35,002,190 |

Further information on the Option Offer will be set out in a letter to the Pou Sheng Optionholders which will be dispatched at or around the same time as the dispatch of the Scheme Document.

If any of the outstanding Pou Sheng Options vests and is exercised on or before the Record Date in accordance with the rules of the Pou Sheng Share Option Scheme, any Pou Sheng Shares so issued will be subject to and eligible to participate in the Scheme.

Use of wholly-owned subsidiary by Pou Chen

Without prejudice to the obligations of Pou Chen under this joint announcement, Pou Chen intends to make and implement the Proposal and the Option Offer through Wealthplus, a wholly-owned subsidiary of Pou Chen.

SHAREHOLDING STRUCTURE

Shareholding structure of Pou Sheng

As at the Announcement Date, the authorized share capital of Pou Sheng is HK\$300,000,000 divided into 30,000,000,000 Pou Sheng Shares of HK\$0.01 each, and Pou Sheng has 5,338,548,615 Pou Sheng Shares in issue.

As at the Announcement Date, (i) Pou Chen does not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies), and therefore the Scheme Shares comprise all the 5,338,548,615 Pou Sheng Shares in issue; and (ii) the Pou Chen Concert Parties hold in aggregate 3,351,925,810 Pou Sheng Shares, representing approximately 62.79% of the total issued share capital of Pou Sheng.

The table below sets out the shareholding structure of Pou Sheng as at the Announcement 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 Announcement Date and the Record Date:

| | As at the Announcement 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) | – | – | 5,338,548,616 | 100% |
| Pou Chen Concert Parties | | | | |
| Major Focus (Note 2) | 3,331,551,560 | 62.41% | – | – |
| Ms. Tsai (Note 3) | 19,523,000 | 0.37% | – | – |
| Mr. Chan (Note 4) | 851,250 | 0.01% | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Aggregate number of Pou Sheng Shares held by all Pou Chen Concert Parties | 3,351,925,810 | 62.79% | – | – |
| Disinterested Scheme Shareholders | | | | |
| The Trustee (Notes 5 and 6) | 125,066,320 | 2.34% | – | – |
| Other public Pou Sheng Shareholders | 1,861,556,485 | 34.87% | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Aggregate number of Pou Sheng Shares held by all Disinterested Scheme Shareholders | 1,986,622,805 | 37.21% | – | – |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 5,338,548,615 | 100% | 5,338,548,616 | 100% |

Notes:

1. As at the Announcement Date, Pou Chen does 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 5,338,548,615 Pou Sheng Shares in issue as at the Announcement 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 5,338,548,616 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 Announcement Date, Yue Yuen is 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 Pou Sheng SGM.
6. Among the 125,066,320 Pou Sheng Shares held by the Trustee, 41,079,130 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 remain unvested as at the Announcement Date.

Pou Sheng Share Option Scheme

The Pou Sheng Share Option Scheme was adopted on May 14, 2008 and amended on March 7, 2012. As at the Announcement Date, there are outstanding Pou Sheng Options exercisable into 35,002,190 Pou Sheng Shares granted under the Pou Sheng Share Option Scheme, of which Pou Sheng Options in respect of 24,505,320 Pou Sheng Shares have already vested and are exercisable as at the Announcement Date. Other than such outstanding Pou Sheng Options, there are no other options, derivatives, warrants or other securities issued by Pou Sheng that are convertible or exchangeable into Pou Sheng Shares. As at the Announcement Date, none of Pou Chen and the Pou Chen Concert Parties holds any Pou Sheng Options.

The full exercise of all outstanding Pou Sheng Options would result in the issue of 35,002,190 Pou Sheng Shares, representing approximately 0.66% of the total issued share capital of Pou Sheng as at the Announcement Date and approximately 0.65% of the total issued share capital of Pou Sheng as enlarged by the issue of such new Pou Sheng Shares. For details of the Option Offer, please refer to the section headed "The Proposal and the Option Offer – The Option Offer" above.

Pou Sheng Share Award Scheme

The Pou Sheng Share Award Scheme was adopted on May 9, 2014 and amended on November 11, 2016, pursuant to which Pou Sheng paid to the Trust certain amounts in cash to purchase Pou Sheng Shares to be held by the Trustee on behalf of the eligible participants of the Pou Sheng Share Award Scheme.

As at the Announcement Date, 125,066,320 Pou Sheng Shares have been purchased and are held by the Trustee, of which (i) 41,079,130 Pou Sheng Shares have been awarded to selected participants under the Pou Sheng Share Award Scheme but remain unvested; and (ii) 83,987,190 Pou Sheng Shares remain unawarded. Among the aforesaid 41,079,130 Pou Sheng Shares awarded, (i) 1,000,000 of them were awarded to Mr. Lee, of which 300,000 will vest on March 25, 2018 and 700,000 will vest on or after January 1, 2019; and (ii) 40,079,130 of them were awarded to other employees (not being directors of Pou Sheng), of which 14,571,680 will vest on or before December 31, 2018 and 25,507,450 will vest on or after January 1, 2019. Pursuant to the rules of the Pou Sheng Share Award Scheme, a selected participant shall have no rights to Pou Sheng Shares awarded to them that are unvested which are held in the Trust by the Trustee.

Subject to the Scheme becoming effective, as part of the Scheme, Pou Chen shall pay to the Trustee an amount in cash equivalent to the Cancellation Price multiplied by the number of Pou Sheng Shares held by the Trustee as at the Record Date.

The Pou Sheng Board proposes to terminate the Pou Sheng Share Award Scheme in accordance with the rules thereof which shall take effect on the Effective Date. Upon such termination of the Pou Sheng Share Award Scheme and in accordance with the rules thereof, all residual cash and funds remaining to be held by the Trustee in the Trust (net of any fees, costs and expenses in connection with the adoption, administration and/or termination of the Pou Sheng Share Award Scheme and the trust) shall be returned to Pou Sheng.

For the purpose of the Scheme, the 125,066,320 Pou Sheng Shares held by the Trustee (whether awarded or not) representing approximately 2.34% of the total issued share capital of Pou Sheng, are Scheme Shares as long as they remain held by the Trustee as at the Record Date. The Trustee is not a Pou Chen Concert Party and is therefore a Disinterested Scheme Shareholder. 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 Pou Sheng SGM.

CONFIRMATION OF FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$2.03 per Scheme Share and 5,338,548,615 Scheme Shares in issue as at the Announcement Date, the Scheme Shares are in aggregate valued at approximately HK\$10,837,253,689.

Assuming that all Pou Sheng Optionholders exercise their outstanding Pou Sheng Options to become Scheme Shareholders before the 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 Record Date, the amount of cash required for the Scheme is approximately HK\$10,837,253,689, and the amount of cash required for the Option Offer is approximately HK\$18,738,817.

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.

POSSIBLE YUE YUEN DISPOSAL

Possible major and connected transaction for Yue Yuen

The Proposal will become effective and binding on Pou Sheng and all Pou Sheng Shareholders, including Yue Yuen, on the Effective Date. Accordingly, the Proposal, as and when it is implemented, will involve Yue Yuen effectively disposing of all its Pou Sheng Shares representing approximately 62.41% of the total issued share capital of Pou Sheng to Pou Chen at the Cancellation Price through the cancellation of all such Pou Sheng Shares in exchange for Pou Chen paying to Yue Yuen a total consideration of HK\$6,763,049,667. As Pou Chen is a controlling shareholder of Yue Yuen and therefore a connected person of Yue Yuen, the Yue Yuen Disposal, if proceeded with, will constitute a connected transaction for Yue Yuen under Chapter 14A of the Listing Rules. Based on the applicable size tests results, the Yue Yuen Disposal, if proceeded with, will also constitute a major transaction for Yue Yuen under Chapter 14 of the Listing Rules. In accordance with the requirements of the Listing Rules, the Yue Yuen Disposal will therefore be subject to approval from the Independent Yue Yuen Shareholders at the Yue Yuen SGM.

Approval by the Independent Yue Yuen Shareholders of the Yue Yuen Disposal is one of the Conditions to the Proposal and the Scheme becoming effective.

Yue Yuen Circular

A circular containing, among other things, (i) further details of the Yue Yuen Disposal; (ii) the views of the Yue Yuen Board (including reasons for proceeding with the Yue Yuen Disposal) and the benefits which are expected to accrue to Yue Yuen if the Yue Yuen Disposal materializes; (iii) the advice and recommendation of the Yue Yuen IFA to the Yue Yuen IBC and the Independent Yue Yuen Shareholders in relation to the Yue Yuen Disposal; and (iv) the advice and recommendation of the Yue Yuen IBC to the Independent Yue Yuen Shareholders relating to the Yue Yuen Disposal, is expected to be dispatched to the Yue Yuen Shareholders on or before February 28, 2018. Such expected date of dispatch is more than 15 business days after the Announcement Date and has been arrived at taking into account, among other factors, (i) the expected time needed for Yue Yuen to appoint and coordinate with the Yue Yuen IFA and for the Yue Yuen IFA to finalize its letter of advice; and (ii) the Chinese New Year holidays in mid-February 2018.

The Yue Yuen Board (including the independent non-executive directors of Yue Yuen) will formulate its views on the Yue Yuen Disposal pending the advice and recommendation of the Yue Yuen IFA, among other factors.

Establishment of Yue Yuen IBC

The Yue Yuen IBC, comprising all independent non-executive directors of Yue Yuen, namely, 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), has been established by the Yue Yuen Board to consider the possible Yue Yuen Disposal and to provide advice to the Independent Yue Yuen Shareholders on whether the terms of the Yue Yuen Disposal are fair and reasonable and in the interests of Yue Yuen and the Yue Yuen Shareholders as a whole and to advise the Independent Yue Yuen Shareholders on how to vote at the Yue Yuen SGM. The Yue Yuen IFA will be appointed to advise the Yue Yuen IBC and the Independent Yue Yuen Shareholders as to whether the terms of the Yue Yuen Disposal are, or are not, fair and reasonable.

Yue Yuen SGM

The Yue Yuen SGM will be convened for the purposes of providing the Independent Yue Yuen Shareholders with an opportunity to consider and, if thought fit, approve, among other things, the Yue Yuen Disposal and the transactions contemplated thereunder. As required under the Listing Rules, votes at the Yue Yuen SGM will be taken by way of a poll.

Pou Chen, through Wealthplus and Win Fortune, holds approximately 49.99% of the total issued share capital of Yue Yuen as at the Announcement Date. As Wealthplus and Win Fortune are wholly-owned subsidiaries of Pou Chen, they are considered to have a material interest in the Yue Yuen Disposal. Mr. Tsai and companies controlled by him together hold approximately 7.00% of the total issued share capital of Yue Yuen as at the Announcement Date. As Mr. Tsai is the father of Ms. Tsai who is a director of Pou Chen, Mr. Tsai and companies controlled by him are also considered to have a material interest in the Yue Yuen Disposal. Pou Chen, Wealthplus, Win Fortune as well as Mr. Tsai and his controlled companies will therefore abstain from voting at the Yue Yuen SGM on the resolution to approve, among other things, the Yue Yuen Disposal and the transactions contemplated thereunder.

Use of proceeds from and possible financial effects of the Yue Yuen Disposal

If and when the Yue Yuen Disposal is proceeded with, the aggregate net proceeds expected to be received by Yue Yuen will be HK\$6,763,049,667 based on the latest shareholding of Yue Yuen in Pou Sheng and the Cancellation Price. Yue Yuen intends to use virtually all the net proceeds from the Yue Yuen Disposal to distribute a one-off special dividend to the Yue Yuen Shareholders, while the rest of the net proceeds are expected to be used for general working capital purposes.

If the Yue Yuen Disposal is proceeded with, Yue Yuen is expected to recognize a gain before transaction costs, which gain will be calculated by reference to the difference between (i) the total proceeds from the Yue Yuen Disposal; and (ii) the unaudited carrying value of Yue Yuen's investment in Pou Sheng, taking into account the unaudited accumulated other comprehensive income attributable to Pou Sheng, as at June 30, 2017 (or December 31, 2017 if such information is available at the time of completion of the Yue Yuen Disposal). The amount of expected gain and its calculation will be disclosed in the Yue Yuen Circular and a further announcement of Yue Yuen if and when the possible Yue Yuen Disposal is proceeded with as a transaction for Yue Yuen.

If the Yue Yuen Disposal is proceeded with, the Pou Sheng Group will cease to be subsidiaries of Yue Yuen and the profit and loss and the assets and liabilities of Pou Sheng will no longer be consolidated into Yue Yuen's consolidated financial statements upon completion of the Yue Yuen Disposal.

INFORMATION ON POU CHEN, YUE YUEN AND POU SHENG

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.

Information on Yue Yuen

Yue Yuen 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 1992 (stock code: 551.HK). As at the Announcement Date, Yue Yuen is indirectly held as to approximately 49.99% by Pou Chen. The Yue Yuen Group is principally engaged in the manufacturing, marketing and retailing of athletic footwear, athletic style leisure footwear as well as casual and outdoor footwear.

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 Announcement Date, Pou Sheng is indirectly held as to approximately 62.41% by Yue Yuen. The Pou Sheng Group is principally engaged in the retailing of sportswear and distribution of licensed products.

Based on the published unaudited consolidated financial information of Pou Sheng for the six months ended June 30, 2017, the unaudited total asset value and net asset value of Pou Sheng as at June 30, 2017 were approximately RMB10,234,684,000 and RMB6,324,621,000, respectively. Based on the published audited consolidated financial statements of Pou Sheng for the two years ended December 31, 2015 and 2016, the audited consolidated net profits of the Pou Sheng Group before and after taxation were as follows:

| | Year ended December 31, | |
|----------------------------|--------------------------------|-------------|
| | 2015 (restated) | 2016 |
| | <i>(RMB in thousands)</i> | |
| Net profit before taxation | 532,458 | 831,923 |
| Net profit after taxation | 383,135 | 569,611 |

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 non-executive directors of Pou Sheng pending the advice of the Pou Sheng IFA) 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 non-executive directors of Pou Sheng pending the advice of the Pou Sheng IFA) believe that the aforesaid initiatives are best performed with Pou Sheng under direct 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 non-executive directors of Pou Sheng pending the advice of the Pou Sheng IFA) 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.

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.

As disclosed in the section headed “Reasons for and benefits of the Proposal” 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.

WITHDRAWAL OF LISTING OF THE POU SHENG SHARES

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 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. 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. An expected timetable for the implementation of the Proposal will be set out in the Scheme Document, which will also contain, among other things, further details of the Scheme.

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.

OVERSEAS SCHEME SHAREHOLDERS AND POU SHENG OPTIONHOLDERS

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. Any acceptance by the Scheme Shareholders and Pou Sheng Optionholders will be deemed to constitute 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 SHARES, COURT MEETING AND POU SHENG SGM

As at the Announcement Date, Pou Chen does not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies), and therefore the Scheme Shares comprise all the issued Pou Sheng Shares.

As at the Announcement Date, Pou Chen Concert Parties holding Pou Sheng Shares include Yue Yuen, Major Focus, Ms. Tsai and Mr. Chan, which in aggregate hold 3,351,925,810 Pou Sheng Shares (being (i) 3,331,551,560 Pou Sheng Shares held by Yue Yuen through Major Focus; (ii) 19,523,000 Pou Sheng Shares held by Ms. Tsai; and (iii) 851,250 Pou Sheng Shares held by Mr. Chan), representing approximately 62.79% of the total issued share capital of Pou Sheng, all of which will form part of the Scheme Shares.

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 62.79% of the total issued share capital of Pou Sheng) 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 “The Proposal and the Option Offer – Conditions to the Proposal and the Scheme” above.

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 Pou Sheng SGM.

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 Announcement 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.

All Pou Sheng Shareholders will be entitled to attend the Pou Sheng SGM and vote on the special resolution 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).

ESTABLISHMENT OF POU SHENG IBC

The Pou Sheng IBC, 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 Pou Sheng IBC.

The Pou Sheng IFA will be appointed by the Pou Sheng IBC in due course to advise the Pou Sheng IBC in relation to the Proposal, the Scheme and the Option Offer. An announcement will be made by Pou Sheng as soon as possible after the appointment of the Pou Sheng IFA.

DISPATCH OF THE SCHEME DOCUMENT

The Scheme Document containing, among other things, (i) further details of the Proposal, the Scheme and the Option Offer; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Bermuda Companies Act and the Bermuda Court Rules; (iv) the recommendations from the Pou Sheng IBC with respect to the Proposal, the Scheme and the Option Offer; (v) the advice of the Pou Sheng IFA to the Pou Sheng IBC; and (vi) notices of the Court Meeting and the Pou Sheng SGM together with forms of proxy in relation thereto, will be dispatched to the Scheme Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Bermuda Companies Act, the Bermuda Court Rules and any other applicable laws and regulations.

The Scheme Document will contain important information and the Pou Sheng Shareholders are urged to read it carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting and the Pou Sheng SGM.

GENERAL

Pou Chen confirms that, as at the Announcement Date:

- (a) save as disclosed in the section headed “Shareholding structure – Shareholding structure of Pou Sheng” above, none of Pou Chen or the Pou Chen Concert Parties owns or has control or direction over the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Pou Sheng;
- (b) 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;
- (c) Pou Chen and the Pou Chen Concert Parties have not entered into any derivative in respect of the securities in Pou Sheng;
- (d) save for the Proposal, the Scheme and the Option Offer, there are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between Pou Chen or any parties acting in concert with Pou Chen and any other person in relation to the shares of Pou Chen or Pou Sheng which might be material to the Proposal;
- (e) save for the Conditions set out in the section headed “The Proposal and the Option Offer – Conditions to the Proposal and the Scheme” above, there is no agreement or arrangement to which Pou Chen or any of the Pou Chen Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal; and
- (f) none of Pou Chen or the Pou Chen Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Pou Sheng.

None of Pou Chen or the Pou Chen Concert Parties has dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of Pou Sheng during the six-month period preceding the Announcement Date.

DISCLOSURE OF DEALINGS

Associates of Pou Sheng and Pou Chen (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of Pou Sheng and Pou Chen) are hereby reminded to disclose their dealings in any securities of Pou Sheng under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

DEFINITIONS

In this joint announcement, 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 |
| “Announcement Date” | January 21, 2018, being the date of this 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 |

| | |
|---------------------------------------|--|
| “Bermuda Companies Act” | the Companies Act 1981 of Bermuda |
| “Bermuda Court” | the Supreme Court of Bermuda |
| “Bermuda Court Rules” | the Rules of the Supreme Court 1985 of Bermuda |
| “Cancellation Price” | the cancellation price of HK\$2.03 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme |
| “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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), 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 “The Proposal and the Option Offer – Conditions to the Proposal and the Scheme” of this joint announcement |
| “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 |
| “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 Securities and Futures Commission of Hong Kong or any delegate thereof |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |

| | |
|---------------------------------------|--|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “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 |
| “Last Trading Day” | January 19, 2018, being the last trading day prior to the publication of this joint announcement |
| “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 British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of Yue Yuen and is interested in approximately 62.41% of the total issued share capital of Pou Sheng as at the Announcement Date |
| “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 |
| “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 “The Proposal and the Option Offer – The Option Offer” of this joint announcement |
| “Option Offer” | the offer to be made by or on behalf of Pou Chen to the Pou Sheng Optionholders |

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| “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)” | all parties acting in concert with Pou Chen in relation to Pou Sheng as defined under the Takeovers Code |
| “Pou Chen Group” | Pou Chen and its subsidiaries |
| “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 Group” | Pou Sheng and its subsidiaries |
| “Pou Sheng IBC” | the independent board committee of Pou Sheng which has been established to advise the Scheme Shareholders in respect of the Proposal and the Pou Sheng Optionholders in respect of the Option Offer, the composition of which is set out in the section headed “Establishment of Pou Sheng IBC” of this joint announcement |
| “Pou Sheng IFA” | the independent financial adviser to be appointed to provide recommendations to the Pou Sheng IBC in relation to the Proposal, the Scheme and the Option Offer |
| “Pou Sheng Option(s)” | share option(s) granted under the Pou Sheng Share Option Scheme from time to time. As at the Announcement Date, there are outstanding Pou Sheng Options exercisable into 35,002,190 Pou Sheng Shares |
| “Pou Sheng Optionholder(s)” | holder(s) of Pou Sheng Option(s) |

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| “Pou Sheng 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 immediately thereafter to Pou Chen and/or its designated wholly-owned subsidiary(ies) |
| “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)” | holder(s) of Pou Sheng Share(s) |
| “PRC” | the People’s Republic of China, which, for the purposes of this joint announcement, 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 |
| “Record Date” | the record date for determining entitlements under the Proposal |
| “Relevant Authorities” | competent governments and/or governmental bodies, regulatory bodies, courts or institutions |
| “RMB” | Renminbi, the lawful currency of the PRC; in this joint announcement, the conversion of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.2153 for illustration purpose only |
| “Scheme” | a scheme of arrangement under Section 99 of the Bermuda Companies Act involving the cancellation of all the Scheme Shares and the simultaneous issuance of an equivalent number of new Pou Sheng Shares to Pou Chen and/or its designated wholly-owned subsidiary(ies) |

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| “Scheme Document” | the composite scheme document to be dispatched to the Pou Sheng Shareholders as described in the section headed “Dispatch of the Scheme Document” of this joint announcement |
| “Scheme Share(s)” | <p>Pou Sheng Share(s) other than those held by Pou Chen directly and/or indirectly through its wholly-owned subsidiary(ies). As at the Announcement Date, Pou Chen does not hold any Pou Sheng Shares directly and/or indirectly through its wholly-owned subsidiary(ies).</p> <p>As referred to in Condition (c) in the section headed “The Proposal and the Option Offer – Conditions to the Proposal and the Scheme” of this joint announcement, 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 5,338,548,615 Pou Sheng Shares will be allotted and issued to Pou Chen and/or its designated wholly-owned subsidiary(ies). These 5,338,548,616 Pou Sheng Shares expected to be issued will not form part of the Scheme Shares.</p> |
| “Scheme Shareholder(s)” | holder(s) of Scheme Share(s) as at the Record Date |
| “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 |

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| “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 |
| “Wealthplus” | Wealthplus Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of Pou Chen and is interested in approximately 46.90% of the total issued share capital of Yue Yuen as at the Announcement Date |
| “Win Fortune” | Win Fortune Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of Pou Chen and is interested in approximately 3.09% of the total issued share capital of Yue Yuen as at the Announcement Date |
| “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 Board” | the board of directors of Yue Yuen |
| “Yue Yuen Circular” | the shareholders’ circular to be dispatched to the Yue Yuen Shareholders as described in the section headed “Possible Yue Yuen Disposal – Yue Yuen Circular” of this joint announcement |
| “Yue Yuen Disposal” | the possible 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 in exchange for Pou Chen paying to Yue Yuen a total consideration of HK\$6,763,049,667, which, if proceeded with, will be subject to the approval by the Independent Yue Yuen Shareholders |
| “Yue Yuen Group” | Yue Yuen and its subsidiaries |

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| “Yue Yuen IBC” | the independent board committee of Yue Yuen which has been established to advise the Independent Yue Yuen Shareholders in respect of the Yue Yuen Disposal, the composition of which is set out in the section headed “Possible Yue Yuen Disposal – Establishment of Yue Yuen IBC” of this joint announcement |
| “Yue Yuen IFA” | the independent financial adviser to be appointed to provide recommendations to the Yue Yuen IBC and the Independent Yue Yuen Shareholders in relation to the terms of the Yue Yuen Disposal |
| “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)” | holder(s) of the Yue Yuen Share(s) |

By Order of the Board of
Pou Chen Corporation
Chan Lu Min
Chairman

By Order of the Board of
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

By Order of the Board of
Pou Sheng International (Holdings) Limited
Wu, Pan-Tsu
Chairman

Hong Kong, January 21, 2018

As at the Announcement Date, the Pou Chen Board comprises 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.

The directors of Pou Chen jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Yue Yuen Group or the Pou Sheng Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Yue Yuen Group or the Pou Sheng Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the Announcement Date, the Yue Yuen Board comprises 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.

The directors of Yue Yuen jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (relating to the Yue Yuen Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (relating to opinions expressed by the Yue Yuen Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the Announcement Date, the Pou Sheng Board comprises 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.

The directors of Pou Sheng jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (relating to the Pou Sheng Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (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 joint announcement, the omission of which would make any statement in this joint announcement misleading.