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## **Friven buying Chinese children's wear retailer in RTO deal**

**By MICHELLE QUAH**

BEDLINEN retailer Friven & Co is looking to break into the Chinese children's wear market through a reverse takeover deal with the owners of China Children Fashion Holdings (CCFH).

The deal, worth up to \$64 million, will see Friven buy the China-based manufacturer and retailer of children's wear with an issue of 1.28 billion new shares at five cents apiece to the vendors.

The vendors of CCFH will end up owning 60 per cent of the merged entity, while current Friven shareholders will own about 40 per cent. First Alverstone Partners, which has streamlined and refocused Friven's business since it took over the company in 2006, will remain on the board.

'This deal marks a watershed in Friven's growth and development since 2006 when we took a major stake,' said Gary Loh, executive chairman of Friven and First Alverstone.

In the past three years, Friven has divested non-core businesses and streamlined its bedlinen retail operations. Mr Loh believes the CCFH deal will transform the company 'from a well-known bedlinen name to a specialty retailer of choice for home and kids' lifestyle products in Asia'.

CCFH manufactures, wholesales, exports and retails children and infants' wear. It has six self-operated retail stores and 28 franchise outlets across six provinces in China.

The deal is expected to boost Friven's points of sale from 69 in Singapore, Malaysia and Indonesia to more than 100 - with extensive reach in China.

CCFH's managing director of retail, Michael Zhang, said: 'This acquisition will give Friven immediate access to the huge Chinese market, where increasingly affluent consumers and the Chinese government's one-child policy will ensure steady demand for the group's suite of home and children's lifestyle products.'

'Young Chinese parents want to return to a home that is comfortable and well-furnished, and want to pamper their children with the best value-for-money quality apparel and accessories. Multiply this demand by 1.4 billion and you can see the market potential is tremendous.'

For the year ended March 31, 2009, CCFH reported a net profit of \$9.6 million, up from \$1.9 million the year before.

The pro forma combined revenue of Friven and CCFH is calculated at \$121.2 million for FY2009, with a net profit of \$2.8 million.

CCFH chief executive Connie Wu said: 'This is a marriage of equals. Friven is well-positioned in South-east Asia and bedlinen space, and CCFH in China and the children's

apparel space.'

Payment for the deal will be split into two portions. The first \$50 million - computed as five times CCFH's net profit for FY2009 - will be paid with an issue of one billion new Friven shares at five cents each.

The second portion will be an incentive payment. If CCFH's FY2010 net profit is 55 million yuan (\$11.5 million) or more, Friven will issue a further 280 million new shares at five cents each. If CCFH's net profit is less than 55 million yuan, the extra payment will be adjusted down, according to a pre-agreed formula.

The deal is conditional on various board and regulatory approvals, due diligence and certain financial conditions.

Friven shares closed one cent higher at 5.5 cents yesterday, with more than 17 million units changing hands.

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