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POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

**CONNECTED TRANSACTION
IN RELATION TO
PROCESSING AGREEMENTS WITH YUE YUEN**

On 26 March 2013, Huaibin Yue-shen, an indirect wholly-owned subsidiary of the Company, entered into the PM Processing Agreement with Yangxin Baojia, an indirect wholly-owned subsidiary of Yue Yuen, pursuant to which Yangxin Baojia has agreed to engage Huaibin Yue-shen to provide processing services in respect of footwear products.

Yue Yuen is a controlling shareholder of the Company holding 3,295,923,560 Shares (being approximately 61.8% of the issued shares of the Company) as at the date of this announcement and is therefore a connected person of the Company. Dongguan Gaobu and Yangxin Baojia are associates of Yue Yuen and they are connected persons of the Company under the Listing Rules. The entering into of each of the AM Processing Agreement and PM Processing Agreement therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the PM Processing Agreement when aggregated with the AM Processing Agreement are more than 0.1% but less than 5%, the PM Processing Agreement is subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules.

A summary of the principal terms of the AM Processing Agreement and the PM Processing Agreement are set out below.

AM PROCESSING AGREEMENT

Date: 5 February 2013

Parties: (1) Dongguan Gaobu
(2) Fanchang Yusheng

Subject matter: Dongguan Gaobu has agreed to engage Fanchang Yusheng to provide processing services in respect of not more than certain pairs of footwear for a specific brand as set out in the AM Processing Agreement.

Consideration: The aggregate consideration for the provision of footwear processing services is RMB2,264,230 (equivalent to approximately HK\$2,826,438), which is payable within 45 days after the date of issue of invoice.

The consideration was determined after arm’s length negotiations between Dongguan Gaobu and Fanchang Yusheng with reference to the prevailing market rate for processing work of similar nature.

PM PROCESSING AGREEMENT

Date: 26 March 2013

Parties: (1) Yangxin Baojia
(2) Huaibin Yue-shen

Subject matter: Yangxin Baojia has agreed to engage Huaibin Yue-shen to provide processing services in respect of footwear products for a specific brand.

Consideration: The aggregate consideration for the provision of footwear processing services is RMB10,766,112 (equivalent to approximately HK\$13,439,338), which is payable within 45 days after the end of the relevant month during which footwear processing services were provided.

The consideration was determined after arm’s length negotiations between Yangxin Baojia and Huaibin Yue-shen with reference to the prevailing market rate for processing work of similar nature.

INFORMATION ON DONGGUAN GAOBU, FANCHANG YUSHENG, YANGXIN BAOJIA AND HUAIBIN YUE-SHEN

The Company is an investment holding company and is a subsidiary of Yue Yuen. The Company, through its subsidiaries, is engaged in retail business, brand licensee business and manufacturing business.

Dongguan Gaobu is a footwear processing factory controlled and operated by Yue Yuen.

Fanchang Yusheng is an indirect wholly-owned subsidiary of the Company and its principal business activities are manufacturing, processing, sales and wholesale of footwear, apparel and sportswear products.

Yangxin Baojia is an indirect wholly-owned subsidiary of Yue Yuen and is principally engaged in the manufacturing, processing and sales of footwear, apparel and accessories.

Huaibin Yue-shen is an indirect wholly-owned subsidiary of the Company and its principal business activities are processing and sales of footwear, apparel and sportswear products.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company through its subsidiaries is principally engaged in retail business, brand licensee business and to a smaller extent, manufacturing business. The transactions contemplated under the AM Processing Agreement and the PM Processing Agreement are part of the usual and ordinary course of the manufacturing business of the Group. Under the Business Separation Deed as disclosed in the Prospectus, the Company may only manufacture for the Taicang Brands with certain exceptions. The two brands under the Processing Agreements are not Taicang Brands. Under the Business Separation Deed, if Yue Yuen has confirmed that it does not wish to manufacture for certain brands, the Company may then manufacture for such brands. For business and capacity reasons, Yue Yuen wishes to sub-contract part of the manufacturing process of footwear products for these two brands to the Company under the Processing Agreements. Since it is Yue Yuen which has requested for the provision of processing services under the Processing Agreements, this is consistent with the terms of the Business Separation Deed.

As the consideration payable to the Company under the Processing Agreements has been determined after arm's length negotiations with reference to the prevailing market rate for processing work of similar nature, the Directors (including the independent non-executive Directors) are of the view that the terms of the Processing Agreements are fair and reasonable and are on normal commercial terms and the transactions contemplated under the Processing Agreements are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Yue Yuen is a controlling shareholder of the Company holding 3,295,923,560 Shares (being approximately 61.8% of the issued shares of the Company) as at the date of this announcement and is a connected person of the Company. Dongguan Gaobu and Yangxin Baojia are associates of Yue Yuen and they are connected persons of the Company under the Listing Rules. The entering into of each of the AM Processing Agreement and the PM Processing Agreement therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the PM Processing Agreement when aggregated with the AM Processing Agreement are more than 0.1% but less than 5%, the PM Processing Agreement is subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules.

Mr. Tsai David, Nai Fung, Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien, all of whom are also directors of Yue Yuen, are considered to have a material interest in the Processing Agreements by virtue of their directorship with Yue Yuen and have abstained from voting on the relevant resolutions approving the AM Processing Agreement and the PM Processing Agreement at the relevant Board meeting. Mr. Li I-nan, who was appointed as the Director on 26 March 2013, is also a director of Yue Yuen. As Mr. Li I-nan is also considered to have a material interest in the PM Processing Agreement, he has abstained from voting on the relevant Board resolution approving the PM Processing Agreement.

DEFINITIONS

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

“AM Processing Agreement”	the production processing agreement dated 5 February 2013 entered into between Dongguan Gaobu and Fanchang Yusheng in respect of the provision of footwear processing services by Fanchang Yusheng to Dongguan Gaobu for a specific brand
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Separation Deed”	the business separation deed dated 23 May 2008 entered into between the Company and Yue Yuen governing their respective manufacturing operations
“Company”	Pou Sheng International (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 3813

“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Dongguan Gaobu”	東莞高埗裕元製造廠第一分廠 (Dongguan Gaobu Yueyuen Manufacturing Factory First Sub-factory*), a processing factory established in the PRC and controlled and operated by Yue Yuen
“Fanchang Yusheng”	繁昌裕盛體育用品有限公司 (Fanchang Yusheng Sports Goods Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“Huaibin Yue-shen”	淮濱裕盛體育用品有限公司 (Huaibin Yue-shen Sporting Goods., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PM Processing Agreement”	the production processing agreement dated 26 March 2013 entered into between Yangxin Baojia and Huaibin Yue-shen in respect of the provision of footwear processing services by Huaibin Yue-shen to Yangxin Baojia for a specific brand
“PRC”	the People’s Republic of China
“Processing Agreements”	the AM Processing Agreement and the PM Processing Agreement
“Prospectus”	the prospectus of the Company dated 26 May 2008
“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taicang Brands”	<i>Li Ning, ANTA, Kappa, 361°, Umbro and XTEP</i>
“Yangxin Baojia”	陽新寶加鞋業有限公司 (Yangxin Baojia Footwear Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Yue Yuen
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange with stock code 551
“%”	per cent.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.2483. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

* *For identification purposes only*

By Order of the Board
Tsai David, Nai Fung
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and Non-executive Director; Mr. Kwan, Heh-Der is the Chief Executive Officer and Executive Director; Mr. Wu, Pan-Tsu is the Executive Director; Ms. Tsai Patty, Pei Chun, Ms. Kuo, Li-Lien and Mr. Li I-nan are the Non-executive Directors; and Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Chang Li Hsien, Leslie and Mr. Hsieh, Wuei-Jung are the Independent Non-executive Directors.

website: www.pousheng.com