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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 50% OF EQUITY INTEREST IN ZHEJIANG YICHUAN SPORTS GOODS CHAIN COMPANY LIMITED

On 6 August 2010, Dragonlight BVI, Dragonlight China, Yangzhou Longsheng, the Vendors and Yichuan entered into the Equity Transfer Framework Agreement which sets out the terms and conditions for the sale of the Sale Equity by the Vendors and the purchase of the Sale Equity by Yangzhou Longsheng.

Pursuant to the Equity Transfer Framework Agreement, Yangzhou Longsheng and the Vendors entered into the Equity Transfer Agreement on 6 August 2010 pursuant to which Yangzhou Longsheng has agreed to purchase and the Vendors have agreed to sell the Sale Equity.

Pursuant to the Equity Transfer Framework Agreement, the Company and the Vendors entered into the Business Opportunity Compensation Agreement on 6 August 2010 pursuant to which the Company has agreed to provide compensation to the Vendors as consideration for providing the business opportunity to Yangzhou Longsheng to acquire the Sale Equity and the non-compete and non-solicitation undertakings given by the Vendors under the Equity Transfer Framework Agreement.

The Consideration for the acquisition of the Sale Equity comprises:

(a) the Equity Consideration of RMB170,465,102 (equivalent to approximately HK$195,676,890), subject to adjustment, payable in three instalments pursuant to the Equity Transfer Agreement; and

(b) the business opportunity compensation to be paid by the Company pursuant to the Business Opportunity Compensation Agreement comprising:

    (i) the issue and allotment of 6,330,000 new Consideration Shares each year (which is an aggregate of 18,990,000 new Consideration Shares) to the Vendors in three equal tranches on or before the date falling on the first, second and third anniversary of Completion (i.e. 30 September 2011, 30 September 2012 and 30 September 2013); and

    (ii) conditional upon the audited after-tax profits of Yichuan for each of the first, second and third fiscal year after Completion (i.e. the fiscal year ending 30 September 2011, 30 September 2012 and 30 September 2013 respectively) are not less than RMB54,710,000 ("Reference Profit"), the issue and allotment of Shares to the Vendors on the basis of an aggregate of 5,000,000 new Profit Shares to the Vendors for each fiscal year which meets the Reference Profit within 30 days after the Company's internal auditor has confirmed that the Reference Profit for the relevant fiscal year has been met. If the Vendors are in breach of their non-compete and non-solicitation undertakings in the Equity Transfer Framework Agreement, the Company will not be required to issue the Profit Shares and may claim against the Vendors for losses suffered by the Company, Yangzhou Longsheng and Yichuan.

Under the Business Opportunity Compensation Agreement, the Company has agreed that the Vendors will not be required to return to the Company the 17,773,000 Shares which have been allotted to the Vendors as premium in respect of the granting of call option by the Vendors to acquire from the Vendors their 50% equity interest in aggregate in Yichuan pursuant to the call option arrangement entered into between the Group and the Vendors as disclosed in the Prospectus. The Company and the Vendors have agreed that the call option premium paid will be taken into account when negotiating the consideration for the Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Li Wenbin, Jin Miao, Chen Jianhua and Chen Chunhua are third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

The Consideration Shares and the Profit Shares will be allotted and issued, credited as fully paid, under the Existing Mandate.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Profit Shares.

As the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are 5% or more but less than 25%, the entering into of the Equity Transfer Framework Agreement, the Equity Transfer Agreement and the Business Opportunity Compensation Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

EQUITY TRANSFER FRAMEWORK AGREEMENT

On 6 August 2010, Dragonlight BVI, Dragonlight China, Yangzhou Longsheng, the Vendors and Yichuan entered into the Equity Transfer Framework Agreement which sets out the terms and conditions for the sale of the Sale Equity by the Vendors and the purchase of the Sale Equity by Yangzhou Longsheng.

Date

6 August 2010

Parties

(1) Dragonlight BVI

(2) Dragonlight China

(3) Yangzhou Longsheng

(4) Li Wenbin

(5) Jin Miao

(6) Chen Jianhua

(7) Chen Chunhua

(8) Yichuan

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Li Wenbin, Jin Miao, Chen Jianhua and Chen Chunhua are third parties independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

Pursuant to the Equity Transfer Framework Agreement, Yangzhou Longsheng and the Vendors entered into the Equity Transfer Agreement on 6 August 2010 pursuant to which Yangzhou Longsheng has agreed to purchase and the Vendors have agreed to sell the Sale Equity.

Pursuant to the Equity Transfer Framework Agreement, the Company and the Vendors entered into the Business Opportunity Compensation Agreement on 6 August 2010 pursuant to which the Company has agreed to provide compensation to the Vendors as consideration for providing the business opportunity to Yangzhou Longsheng to acquire the Sale Equity and the non-compete and non-solicitation undertakings given by the Vendors under the Equity Transfer Framework Agreement.

Assets to be acquired

Sale Equity representing a total of 50% equity interest of Yichuan owned by the Vendors. Yichuan is currently owned as to 50% by Yangzhou Longsheng and as to 50% by the Vendors. Yichuan is principally engaged in sportswear retailing business in the PRC. Upon Completion, the Company will own the entire equity interest in Yichuan through Dragonlight Entities and Yangzhou Longsheng. Completion is expected to take place on or around 30 September 2010 after approval for registration of the equity transfer by the relevant government authority is obtained.

For the fiscal year ended 30 September 2008, the unaudited consolidated net profits before and after taxation of Yichuan were approximately RMB74,600,000 and RMB60,000,000 respectively. For the fiscal year ended 30 September 2009, the unaudited consolidated net profits before and after taxation of Yichuan were approximately RMB86,200,000 and RMB64,900,000 respectively. The unaudited consolidated net assets value of Yichuan as at 30 September 2009 was approximately RMB157,800,000.

Consideration

The Consideration comprises the following:

(a) the Equity Consideration of RMB170,465,102 (equivalent to approximately HK$195,676,890), subject to adjustment as described below, which shall be payable by Yangzhou Longsheng pursuant to the Equity Transfer Agreement in three instalments in the following manner:

    (i) as to RMB128,502,536 (equivalent to approximately HK$147,508,060) within five days upon execution of the Equity Transfer Agreement;

    (ii) as to RMB20,981,283 (equivalent to approximately HK$24,084,415) on or before 30 September 2011;

    (iii) as to RMB20,981,283 (equivalent to approximately HK$24,084,415) on or before 30 September 2012;

(b) the business opportunity compensation to be paid by the Company pursuant to the Business Opportunity Compensation Agreement comprising:

   (i) the issue and allotment of 6,330,000 new Consideration Shares each year (which is an aggregate of 18,990,000 new Consideration Shares) to the Vendors in three equal tranches on or before the date falling on the first, second and third anniversary of Completion (i.e. 30 September 2011, 30 September 2012 and 30 September 2013);

   (ii) conditional upon the audited after-tax profits of Yichuan for each of the first, second and third fiscal year after Completion (i.e. the fiscal year ending 30 September 2011, 30 September 2012 and 30 September 2013 respectively) are not less than RMB54,710,000 ("Reference Profit"), the issue and allotment of Shares to the Vendors on the basis of an aggregate of 5,000,000 new Profit Shares to the Vendors for each fiscal year which meets the Reference Profit within 30 days after the Company's internal auditor has confirmed that the Reference Profit for the relevant fiscal year has been met. If the Vendors are in breach of their non-compete and non-solicitation undertakings in the Equity Transfer Framework Agreement, the Company will not be required to issue the Profit Shares and may claim against the Vendors for losses suffered by the Company, Yangzhou Longsheng and Yichuan.

Under the Business Opportunity Compensation Agreement, the Company has agreed that the Vendors will not be required to return to the Company the 17,773,000 Shares which have been allotted to the Vendors as premium in respect of the granting of call option by the Vendors to acquire from the Vendors their 50% equity interest in aggregate in Yichuan pursuant to the call option arrangement entered into between the Group and the Vendors as disclosed in the Prospectus. The Company and the Vendors have agreed that the call option premium paid will be taken into account when negotiating the consideration for the Acquisition.

The Reference Profit is only a benchmark which is used to determine whether Profit Shares are to be issued. It is not an indication or estimation of the future profit of Yichuan.

In the event that the Company fails to issue the relevant Shares to the Vendors pursuant to the Business Opportunity Compensation Agreement within 30 days after the due date of issue of such Shares, the Vendors may at their options change the settlement method from Shares to cash calculated based on the following formula by giving written notice to the Company:

> Number of Shares due to be issued x arithmetic mean of the closing prices of the Shares for the three months prior to 30 September 2011, 30 September 2012 and 30 September 2013 (as the case may be)

The cash is to be deposited by the Company into accounts designated by the Vendors within 30 days upon receipt of the written notice of the Vendors exercising their options to receive cash in lieu of Shares pursuant to the Business Opportunity Compensation Agreement.

The Consideration Shares and the Profit Shares will be allotted and issued, credited as fully paid, under the Existing Mandate. The Existing Mandate has not been utilised since it was granted on 3 March 2010.

The Consideration Shares represent:

(i) approximately 0.443% of the existing issued share capital of the Company as at the date of this announcement;

(ii) approximately 0.441% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and

(iii) approximately 0.439% of the issued share capital of the Company as enlarged by the issue of both the Consideration Shares and the Profit Shares.

The Profit Shares represent:

(i) approximately 0.350% of the existing issued share capital of the Company as at the date of this announcement;

(ii) approximately 0.348% of the issued share capital of the Company as enlarged by the issue of the Profit Shares; and

(iii) approximately 0.347% of the issued share capital of the Company as enlarged by the issue of both the Consideration Shares and the Profit Shares.

Both the Consideration Shares and the Profit Shares when issued, will rank pari passu in all respects with the Shares then in issue as at the date of allotment. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Profit Shares. There will be no restriction on the subsequent sale of the Consideration Shares and the Profit Shares.

Adjustment to the Equity Consideration

Pursuant to the Equity Transfer Framework Agreement and the Equity Transfer Agreement, the Equity Consideration shall be adjusted as follows:

(a) the Equity Consideration is to be reduced by the amount of loss suffered by Yangzhou Longsheng or Yichuan and its subsidiaries in the event of breaches of representations and warranties given by the Vendors under the Equity Transfer Framework Agreement and the Equity Transfer Agreement prior to payment of the second or third instalments of the Equity Consideration;

(b) the second instalment of the Equity Consideration is to be increased or reduced prior to payment with reference to the sum of RMB17,537,003, which will be paid to the Vendors together with the first instalment of the Equity Consideration and represents the sum expected to be distributed to the Vendors as dividend for the period commencing from 1 July 2009 and ending on the date of Completion based on the expected profits of Yichuan of RMB38,971,117.77 for the aforementioned period. If the audited actual profits of Yichuan for the aforementioned period is less than RMB38,971,117.77, the second instalment of the Equity Consideration shall be reduced by a sum representing the difference between RMB17,537,003 and the sum to which the Vendors are entitled as dividend. If the audited actual profits of Yichuan for the aforementioned period is higher than RMB38,971,117.77, the second instalment of the Equity Consideration shall be increased by a sum representing the difference between RMB17,537,003 and the sum to which the Vendors are entitled as dividend, which is payable at the same time as the payment of the second instalment of the Equity Consideration to the Vendors.

The Company will settle the Equity Consideration through its internal resources.

The Consideration was determined after arm's length negotiations between the Company and the Vendors with reference to the operating results of Yichuan and its subsidiaries.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS

The Company has not conducted any fund raising activity in the twelve months immediately before the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

Based on the assumption that there will be no change in the issued share capital of the Company and shareholding structure of the Company from the date of this announcement to the date of issue and allotment of the Consideration Shares and the Profit Shares, the following table summarises the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the issue and allotment of the Consideration Shares to the Vendors; (iii) immediately after the issue and allotment of the Profit Shares to the Vendors; and (iv) immediately after the issue and allotment of the Consideration Shares and the Profit Shares to the Vendors:

Shareholders	As at the date of this announcements		Immediately after the issue and allotment of Consideration Shares		Immediately after the issue and allotment of the Profit Shares		Immediately after the issue and allotment of both the Consideration Shares and the Profit Shares	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Major Focus Management Limited *(Note 1)*	2,408,344,622	56.132%	2,408,344,622	55.885%	2,408,344,622	55.937%	2,408,344,622	55.691%
Jollyard Investments Limited *(Note 2)*	216,945,000	5.056%	216,945,000	5.034%	216,945,000	5.039%	216,945,000	5.017%
Vendors	17,773,000	0.414%	36,763,000	0.853%	32,773,000	0.761%	51,763,000	1.197%
Directors of the Company								
Tsai David, Nai Fung	4,833,000	0.113%	4,833,000	0.112%	4,833,000	0.112%	4,833,000	0.112%
Tsai Patty, Pei Chun	4,460,000	0.104%	4,460,000	0.103%	4,460,000	0.104%	4,460,000	0.103%
Chang Karen Yi-Fen	7,589,000	0.177%	7,589,000	0.176%	7,589,000	0.176%	7,589,000	0.175%
Public	1,630,550,541	38.004%	1,630,550,541	37.836%	1,630,550,541	37.871%	1,630,550,541	37.705%
Total	**4,290,495,163**	**100%**	**4,309,485,163**	**100%**	**4,305,495,163**	**100%**	**4,324,485,163**	**100%**

Notes:

1. Major Focus Management Limited is a wholly-owned subsidiary of Yue Yuen.

2. Jollyard Investments Limited is wholly-owned by Sitori Trading Limited, which is in turn wholly-owned by Ms. Shih Ching-I.

INFORMATION ON THE COMPANY AND THE DRAGONLIGHT ENTITIES

The Company is an investment holding company and is a subsidiary of Yue Yuen. The Company and its subsidiaries are a leading sportswear retailer in the PRC and are engaged in retail business, brand licensee business, manufacturing business, and property leasing and management business. Dragonlight China is a direct wholly-owned subsidiary of Dragonlight BVI which in turn is an indirect wholly-owned subsidiary of the Company. The Company holds the 50% equity interest in Yichuan through its holding in the Dragonlight Entities and Yangzhou Longsheng.

INFORMATION ON YICHUAN AND THE VENDORS

Yichuan was established in November 2006. It engages in the sportswear retailing business in the PRC with stores operating in Zhejiang province in the PRC. Yichuan is currently held as to 50% by the Company indirectly and as to the remaining 50% by the Vendors.

To the best of the knowledge, information and belief of the Directors, each of the Vendors is third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF THE ACQUISITION

As part of the Group's strategy to expand the retail network to various geographic regions in the PRC, Yichuan was established as a joint venture in November 2006. As a result of the Acquisition, Yichuan will become a wholly-owned subsidiary of the Company and the results of Yichuan will be consolidated fully in the financial statements of the Group. The Acquisition will strengthen the Company's market position in regards to brand portfolio and geographic coverage in the retail sportswear industry in the PRC.

Taking into account the operating results and the financial position of Yichuan, the Directors are of the view that the terms of the Equity Transfer Framework Agreement, the Equity Transfer Agreement and the Business Opportunity Compensation Agreement are fair and reasonable and are on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the relevant percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are 5% or more but less than 25%, the entering into of the Equity Transfer Framework Agreement, the Equity Transfer Agreement and the Business Opportunity Compensation Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

DEFINITIONS

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

"Acquisition"	the purchase of the Sale Equity pursuant to the Equity Transfer Framework Agreement and the Equity Transfer Agreement
"Business Opportunity Compensation Agreement"	the business opportunity compensation agreement dated 6 August 2010 between the Company and the Vendors in respect of the compensation to be paid by the Company to the Vendors as consideration for providing the business opportunity to Yangzhou Longsheng to acquire the Sale Equity and the non-compete and non-solicitation undertakings given by the Vendors under the Equity Transfer Framework Agreement
"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
"Completion"	completion of the Acquisition pursuant to the Equity Transfer Framework Agreement and the Equity Transfer Agreement, which is expected to take place on 30 September 2010
"Consideration"	the consideration payable by the Company for the Acquisition
"Consideration Shares"	a total of 18,990,000 new Shares to be issued and allotted by the Company to the Vendors credited as fully paid as part of the consideration for the Acquisition
"Directors"	the directors of the Company
"Dragonlight BVI"	Dragonlight Group Limited, a company incorporated in the British Virgin Islands with limited liability and whose entire issued share capital is held indirectly by the Company

"Dragonlight China"	龍光（中國）體育用品有限公司(Dragonlight (China) Sports Goods Company Limited), a company established in the PRC with limited liability and whose entire equity interest is held directly by Dragonlight BVI
"Dragonlight Entities"	Dragonlight BVI and Dragonlight China
"Equity Consideration"	a total of RMB170,465,102 (equivalent to approximately HK$195,676,890), subject to adjustment, which forms part of the Consideration for the Acquisition
"Equity Transfer Framework Agreement"	the equity transfer framework agreement dated 6 August 2010 among the Dragonlight Entities, Yangzhou Longsheng, the Vendors and Yichuan which sets out the terms and conditions for the sale and purchase of the Sale Equity
"Equity Transfer Agreement"	the equity transfer agreement dated 6 August 2010 between Yangzhou Longsheng and the Vendors in respect of the sale and purchase of the Sale Equity
"Existing Mandate"	the existing general mandate to issue Shares granted to the board of Directors on 3 March 2010
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency in Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Profit Shares"	an aggregate of 5,000,000 new Shares to be issued and allotted by the Company to the Vendors for each fiscal year ending 30 September 2011, 30 September 2012 and 30 September 2013 credited as fully paid as part of the consideration for the Acquisition, subject to adjustment with reference to the audited after-tax profits of Yichuan for the fiscal year ending 30 September 2011, 30 September 2012 and 30 September 2013

"Prospectus"	the prospectus issued by the Company dated 26 May 2008 in relation to the global offering of the Shares
"RMB"	Renminbi, the lawful currency of PRC
"Sale Equity"	all the equity interest of Yichuan held by the Vendors, representing 50% of the entire equity interest of Yichuan
"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
"Vendors"	酈文斌(Li Wenbin), 金苗(Jin Miao), 陳建華(Chen Jianhua) and 陳春華(Chen Chunhua)
"Yangzhou Longsheng"	揚州龍勝體育用品有限公司(Yangzhou Longsheng Sports Goods Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of Dragonlight China
"Yichuan"	浙江易川體育用品連鎖有限公司(Zhejiang Yichuan Sports Goods Chain Company Limited), a company established in the PRC with limited liability, the equity interest of which is held as to 50% by Yangzhou Longsheng, 20% by Li Wenbin, 7.5% by Jin Miao, 15% by Chen Jianhua and 7.5% by Chen Chunhua
"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$1.1479. No representation is made that any amounts in RMB and HK$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

By Order of the Board of
Pou Sheng International (Holdings) Limited
Tsai David, Nai Fung
Chairman

Hong Kong, 6 August 2010

As at the date of this announcement, Mr. Tsai David, Nai Fung is the Chairman and non-executive director; Ms. Chang Karen Yi-Fen is the Chief Executive Officer and executive director; Ms. Tsai Patty, Pei Chun and Ms. Kuo, Li-Lien are the non-executive directors; and Mr. Chen Huan-Chung, Mr. Hu Sheng-Yih, Mr. Mak Kin Kwong and Mr. Cheng Ming Fun Paul are the independent non-executive directors.

Website: www.pousheng.com