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**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

TERMINATION OF INVESTMENT IN JOINT VENTURE INVOLVING DISPOSAL OF 50% EQUITY INTEREST IN HUBEI JIEZHIXING CLOTHING AND ACCESSORIES COMPANY LIMITED BEING A DISCLOSEABLE AND CONNECTED TRANSACTION FOR POU SHENG INTERNATIONAL (HOLDINGS) LIMITED AND A CONNECTED TRANSACTION FOR YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

On 11 March 2010, Pou Sheng's subsidiaries, the Dragonlight Entities, entered into the Termination Framework Agreement with Mr. Qiu, Ms. Wang and Jiezhixing under which the Dragonlight Entities agreed to terminate its investment in 50% equity interest in Jiezhixing. On the same date, the Dragonlight Entities, Mr. Qiu, Ms. Wang and Jiezhixing entered into the Call Option Termination Agreement under which the Call Option was terminated.

As Mr. Qiu is a substantial shareholder of a subsidiary of Pou Sheng, Hubei Shengdao, Mr. Qiu is a connected person of Pou Sheng under the Listing Rules. As Jiezhixing is an associate of Mr. Qiu by virtue of Mr. Qiu's interest in 50% of its equity interest, Jiezhixing is also a connected person of Pou Sheng under the Listing Rules. The entering into of the Transaction Documents therefore constitutes a connected transaction for Pou Sheng under Chapter 14A of the Listing Rules which is subject to announcement, reporting and independent shareholders' approval requirements. As the results of the size tests exceed 5%, the entering into of the Transaction Documents also constitutes a discloseable transaction for Pou Sheng under Chapter 14 of the Listing Rules.

* For identification purposes only

Since (i) Yue Yuen is a controlling shareholder of Pou Sheng holding 2,408,344,622 Pou Sheng Shares (being approximately 56.13% of the issued shares in Pou Sheng) as at the date of this announcement, and (ii) no Pou Sheng Shareholder is required to abstain from voting at the general meeting of Pou Sheng for the approval of the Transaction Documents, a written shareholders' approval of Yue Yuen may be accepted in lieu of holding a general meeting for Pou Sheng under Rule 14A.43 of the Listing Rules. Yue Yuen's written approval of the Transaction Documents has been obtained for that purpose.

A circular containing, among other things, details of the Transaction Documents and the advice of the independent financial adviser will be despatched to the Pou Sheng Shareholders as soon as practicable.

As Pou Sheng is a subsidiary of Yue Yuen, the entering into of the Transaction Documents constitutes a connected transaction for Yue Yuen under Chapter 14A of the Listing Rules which is subject only to announcement and reporting requirements.

TERMINATION FRAMEWORK AGREEMENT

Date

11 March 2010

Parties

- (1) Dragonlight BVI
- (2) Dragonlight China
- (3) Mr. Qiu
- (4) Ms. Wang
- (5) Jiezhixing

Summary of the principal terms of the Termination Framework Agreement

The equity interest of Jiezhixing is currently held as to 50% by Dragonlight China and as to the remaining 50% by Mr. Qiu. Under the Termination Framework Agreement, the parties thereto agreed to terminate their cooperation regarding Jiezhixing and to release each other from their obligations under the initial joint venture agreements entered into between themselves. In this regard, Dragonlight China has agreed to dispose of the 50% equity interest in Jiezhixing held by it to Mr. Qiu under the Share Transfer Agreement dated 11 March 2010 entered into between Dragonlight China and Mr. Qiu. On the same date, pursuant to the Termination Framework Agreement, Dragonlight China also entered into the Share Buyback Agreement with Mr. Qiu under which Mr. Qiu agreed to return to Dragonlight China 50% equity interest in Jiezhixing if (i) Mr. Qiu fails to pay to Dragonlight China within the specified time limit the transfer consideration of RMB32,140,000, being 50% of the amount of the registered capital of Jiezhixing; or (ii) Mr. Qiu and his related parties fail to enter into agreements within the specified time limit for entrusted loans in the aggregate principal amount of RMB92,860,000 (as explained below under "Consideration and payment terms") to be extended to Jiezhixing pursuant to the Termination Framework Agreement and to enter into related security documents; or (iii) Jiezhixing fails to repay the outstanding Existing Guaranteed Bank Loans (as defined below) within the specified time limit.

Under the Termination Framework Agreement, the joint venture parties have agreed to release each other from their obligations which remain unfulfilled under the initial joint venture agreements, in particular their obligations under a price adjustment mechanism regarding Jiezhixing.

As disclosed in the Prospectus, under the price adjustment mechanism, if certain pre-agreed operating results of Jiezhixing exceed their specified benchmarks, Pou Sheng Group will be required to make additional capital contributions to Jiezhixing. On the other hand, if such benchmarks are not met, Mr. Qiu will be required to compensate Pou Sheng Group either by cash or by transferring a portion of his equity interest in Jiezhixing to Pou Sheng Group. Based on the unaudited consolidated financial statements of Jiezhixing for the two profit evaluation years ended 31 March 2008 and 2009, it is estimated that Pou Sheng Group would have been required to make additional capital contributions to Jiezhixing in the amount of approximately RMB122,000,000 under such price adjustment mechanism if there were no Terminations.

Consideration and payment terms

The consideration which is payable to Dragonlight China in respect of the disposal of 50% equity interest in Jiezhixing is RMB32,140,000 which represents 50% of the total registered capital of Jiezhixing.

In addition, the Dragonlight China will be paid RMB35,000,000 by way of dividend by Jiezhixing (“Dividend Payment”). The parties to the Termination Framework Agreement have agreed that Dragonlight China will apply such funds to arrange for entrusted loans to be extended to Jiezhixing which shall repay such loans over a period of three years, in the proportion of 20% in the first year, 30% in the second year and the remaining 50% in the third year. Such entrusted loan arrangements involve the Dragonlight China depositing the Dividend Payment with a commercial bank which will then lend, for a fee (which is payable by Jiezhixing), the same amount of money to Jiezhixing. Such entrusted loans will bear interest at the basic lending rate issued by the People’s Bank of China for one-year, two-year and three-year term loans respectively and may be early repaid at the discretion of Jiezhixing.

During the term of the cooperation, Dragonlight China arranged for entrusted loans extended to Jiezhixing with an outstanding principal amount of RMB57,860,000. Under the Termination Framework Agreement, such existing entrusted loan will be repaid by Jiezhixing over a period of three years in the proportion of 20% in the first year, 30% in the second year and the remaining 50% in the third year, bearing interest at the basic lending rate issued by the People’s Bank of China for one-year, two-year and three-year term loans respectively, and may be repaid earlier by Jiezhixing at its discretion. Jiezhixing also has existing outstanding bank borrowings with a commercial bank in the principal amount of RMB130,000,000 in respect of which Dragonlight China has provided guarantee (“Existing Guaranteed Bank Loans”). Such bank borrowings will be repaid and the relevant guarantee will be released upon disposal of the 50% equity interest in Jiezhixing held by Dragonlight China.

In respect of the above entrusted loan arrangements to Jiezhixing, the following securities will be granted by Mr. Qiu, Ms. Wang and Jiezhixing in favour of the Dragonlight Entities:

- (a) secured guarantee by Mr. Qiu and Ms. Wang over 10% equity interest in Jiezhixing held by them;
- (b) secured guarantee by Mr. Qiu and Ms. Wang over certain private properties in the PRC held by them, some of which may involve depositing with the Dragonlight Entities the original building ownership certificates; and
- (c) secured guarantee by Jiezhixing over the maximum amount of RMB100,000,000 of its assets.

The consideration under the Terminations was arrived at after arm's length negotiations between the Pou Sheng Group and Mr. Qiu with reference to the amount of the registered capital of Jiezhixing. After the Terminations, the Pou Sheng Group will cease to hold any interest in Jiezhixing. Pou Sheng intends to apply the proceeds from the Terminations for general working capital purpose.

Condition precedent

The Termination Framework Agreement is conditional upon the Transaction Documents having been approved by Pou Sheng Shareholders (who are entitled to vote under the Listing Rules) in its general meeting or if acceptable to the Stock Exchange, the receipt of a written shareholders' approval of Pou Sheng Shareholder holding more than 50% of Pou Sheng's issued share capital.

TERMINATION OF CALL OPTION

As disclosed in the Prospectus, the Pou Sheng Group entered into call option arrangement with Mr. Qiu under which the Pou Sheng Group was granted a call option to acquire from Mr. Qiu his 50% equity interest in Jiezhixing. Such call option may be exercised by the Pou Sheng Group within five years commencing from the expiry of the first six months of Listing. The premium paid to Mr. Qiu in respect of him granting such Call Option involved cash and new Pou Sheng Shares. Mr. Qiu has agreed, under the Call Option Termination Agreement, to return to Pou Sheng a portion of such Call Option premium.

INFORMATION ON POU SHENG, THE DRAGONLIGHT ENTITIES AND YUE YUEN

Pou Sheng is an investment holding company and is a subsidiary of Yue Yuen. Pou Sheng 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 Pou Sheng. Pou Sheng holds the 50% equity interest in Jiezhixing through its holding in the Dragonlight Entities.

Yue Yuen is an investment holding company. The principal activities of Yue Yuen and its subsidiaries are the manufacturing (as original equipment manufacturer and original design manufacturer) and sales of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

INFORMATION ON JIEZHIXING, MR. QIU AND MS. WANG AND REASONS FOR AND BENEFITS OF THE TERMINATIONS

Jiezhixing is principally engaged in the sportswear retailing business in the PRC with stores operating in Hubei province in the PRC. Jiezhixing was established in 2007 and is currently held as to 50% by Pou Sheng indirectly and as to the remaining 50% by Mr. Qiu. Mr. Qiu operates his sportswear retailing business in the PRC through his interest in Jiezhixing. Ms. Wang is the spouse of Mr. Qiu and is a director of Jiezhixing. As disclosed in the Prospectus, one of the ways to grow the operations of the Pou Sheng Group in an efficient manner is through the establishment of joint ventures such as Jiezhixing so that the Pou Sheng Group's retail network can be expanded into regions in which it has little or no presence. Instead of obtaining the entire interest in such joint ventures, Pou Sheng has chosen to, in some cases, form joint ventures with the joint venture partners and at the same time maintaining an option exercisable only at the discretion of Pou Sheng to acquire the remaining interest in such joint ventures. This enables the Pou Sheng Group to lower its exposure if it were to obtain the entire interest in joint venture at the outset and at the same time, if Pou Sheng is satisfied with the operating and financial performance of the relevant joint venture, Pou Sheng may increase its stake in such joint venture, by exercising the call option.

In addition to the consideration payable to Pou Sheng and the repayment of the entrusted loans by Jiezhixing under the Termination Framework Agreement, Pou Sheng will also be released from its obligations to make additional capital contributions to Jiezhixing under the price adjustment mechanism in the original joint venture agreements. Since its investment in Jiezhixing, Pou Sheng has contributed a total of RMB32,140,000 in the registered capital of Jiezhixing. The Terminations will therefore not only enable Pou Sheng to recoup its initial investment amount and will also relieve Pou Sheng from further funding obligations under the price adjustment mechanism.

For the fiscal year ended 30 September 2008, the unaudited consolidated net profits before and after taxation of Jiezhixing were approximately USD9.6 million (equivalent to approximately HK\$74,880,000) and approximately USD6.6 million (equivalent to approximately HK\$51,480,000) respectively. For the fiscal year ended 30 September 2009, the unaudited consolidated net profits before and after taxation of Jiezhixing were approximately USD9.3 million (equivalent to approximately HK\$72,540,000) and approximately USD6.2 million (equivalent to approximately HK\$48,360,000) respectively. The unaudited consolidated net assets value of Jiezhixing as at 30 September 2009 was approximately USD12.2 million (equivalent to approximately HK\$95,160,000).

As a result of the Terminations, a loss in the amount of approximately USD3.2 million (equivalent to approximately HK\$24,960,000) and USD1.8 million (equivalent to approximately HK\$14,040,000) has been provided for in the consolidated income statements of Pou Sheng and Yue Yuen for the fiscal year ended 30 September 2009 respectively, which was calculated by reference to (a) the difference between the amount of the consideration payable to Pou Sheng and the carrying amount of Pou Sheng's interest in Jiezhixing as at 30 September 2009; and (b) the difference between the recoverable amount and the fair value of the Call Option as at 30 September 2009. The amount of the actual loss to be recorded by Pou Sheng and Yue Yuen is dependent on the performance of Jiezhixing between the period from 1 October 2009 to the date of completion of the disposal of Pou Sheng's interest in Jiezhixing.

Taking into account the consideration payable to Pou Sheng, the financial position of Jiezhixing, the relief of Pou Sheng's capital contribution obligation under the price adjustment mechanism, the Pou Sheng Board (excluding its independent non-executive directors whose opinion will be given after receiving advice from the independent financial adviser) and the Yue Yuen Board (including its independent non-executive directors) are of the view that the terms of the Transaction Documents are fair and reasonable and are on normal commercial terms and the transactions contemplated under the Transaction Documents are in the interests of Pou Sheng, Yue Yuen, the Pou Sheng Shareholders and the Yue Yuen Shareholders as a whole.

LISTING RULES IMPLICATIONS

Discloseable and connected transaction for Pou Sheng

As Mr. Qiu is a substantial shareholder of a subsidiary of Pou Sheng, Hubei Shengdao, Mr. Qiu is a connected person of Pou Sheng under the Listing Rules. As Jiezhixing is an associate of Mr. Qiu by virtue of Mr. Qiu's interest in 50% of its equity interest, Jiezhixing is also a connected person of Pou Sheng under the Listing Rules. The entering into of the Transaction Documents therefore constitutes a connected transaction for Pou Sheng under Chapter 14A of the Listing Rules which are subject to announcement, reporting and independent shareholders' approval requirements. As the results of the size tests exceed 5%, the entering into of the Transaction Documents also constitutes a discloseable transaction for Pou Sheng under Chapter 14 of the Listing Rules.

Since (i) Yue Yuen is a controlling shareholder of Pou Sheng holding 2,408,344,622 Pou Sheng Shares (being approximately 56.13% of the issued shares in Pou Sheng) as at the date of this announcement, and (ii) no Pou Sheng Shareholder is required to abstain from voting at the general meeting of Pou Sheng for the approval of the Transaction Documents, a written shareholders' approval of Yue Yuen may be accepted in lieu of holding a general meeting for Pou Sheng under Rule 14A.43 of the Listing Rules. Yue Yuen's written approval of the Transaction Documents has been obtained for that purpose.

A circular containing, among other things, details of the Transaction Documents and the advice of the independent financial adviser will be despatched to the Pou Sheng Shareholders as soon as practicable.

Connected transaction for Yue Yuen

As Pou Sheng is a subsidiary of Yue Yuen, the entering into of the Transaction Documents constitutes a connected transaction for Yue Yuen under Chapter 14A of the Listing Rules which is subject only to announcement and reporting requirements.

DEFINITIONS

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

“Call Option”	the call option granted by Mr. Qiu to Pou Sheng Group in respect of 50% equity interest in Jiezhixing held by Mr. Qiu
“Call Option Termination Agreement”	a termination agreement dated 11 March 2010 entered into between the Dragonlight Entities, Mr. Qiu, Ms. Wang and Jiezhixing under which the Call Option was terminated
“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 Pou Sheng
“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
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong
“Hubei Shengdao”	湖北勝道體育用品有限公司(Hubei Shengdao Sports Goods Company Limited), a company established in the PRC with limited liability, the equity interest of which is held as to 60% by Pou Sheng indirectly and as to 40% by Mr. Qiu

“Jiezhixing”	湖北杰之行服飾有限公司(Hubei Jiezhixing Clothing and Accessories Company Limited), a company established in the PRC with limited liability, the equity interest of which is held as to 50% by Dragonlight China and as to the remaining 50% by Mr. Qiu
“Listing”	the listing of Pou Sheng Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Qiu”	邱小杰(Qiu Xiaojie), a substantial shareholder and director of Hubei Shengdao and a connected person of Pou Sheng
“Ms. Wang”	汪麗(Wang Lai), the spouse of Mr. Qiu and a director of Jiezhixing
“Pou Sheng”	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
“Pou Sheng Board”	the board of directors of Pou Sheng
“Pou Sheng Group”	Pou Sheng and its subsidiaries
“Pou Sheng Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Pou Sheng
“Pou Sheng Shareholder(s)”	holder(s) of the Pou Sheng Share(s)
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus issued by Pou Sheng dated 26 May 2008 in relation to the global offering of Pou Sheng Shares
“RMB”	Renminbi, the lawful currency of PRC
“Share Buyback Agreement”	the share buyback agreement between Dragonlight China and Mr. Qiu dated 11 March 2010 under which Mr. Qiu agreed to return to Dragonlight China 50% equity interest in Jiezhixing under certain conditions

“Share Transfer Agreement”	the share transfer agreement dated 11 March 2010 entered into between Dragonlight China and Mr. Qiu in respect of the transfer of 50% of equity interest in Jiezhixing by Dragonlight China to Mr. Qiu
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terminations”	terminations by Pou Sheng of (i) investment in Jiezhixing under the Termination Framework Agreement; and (ii) the Call Option under the Call Option Termination Agreement
“Termination Framework Agreement”	a termination joint venture framework agreement dated 11 March 2010 entered into between Dragonlight BVI, Dragonlight China, Mr. Qiu and Ms. Wang and Jiezhixing under which the Dragonlight Entities agreed to terminate its investment in Jiezhixing
“Transaction Documents”	the Termination Framework Agreement, the Call Option Termination Agreement, the Share Transfer Agreement and the Share Buyback Agreement
“USD”	United States dollars, the lawful currency of the United States of America
“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
“Yue Yuen Board”	the board of directors of Yue Yuen
“Yue Yuen Shareholder(s)”	holder(s) of the shares of Yue Yuen
“%”	per cent.

In this announcement, USD are translated into HK\$ at the rate of USD1 to HK\$7.8.

By Order of the Board of
Yue Yuen Industrial (Holdings) Limited
Tsai Chi Neng
Chairman

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

Hong Kong, 11 March 2010

As at the date of this announcement, in respect of Yue Yuen, Mr. Tsai Chi Neng (Chairman), Mr. David N. F. Tsai (Managing Director), Mr. Kuo Tai Yu, Mr. Lu Chin Chu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve, Ms. Tsai Pei Chun, Patty and Ms. Kuo Li-Lien are the executive directors, Mr. John J. D. Sy is the non-executive director, and Mr. So Kwan Lok, Dr. Liu Len Yu and Mr. Leung Yee Sik are the independent non-executive directors.

As at the date of this announcement, in respect of Pou Sheng, 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.

Websites: www.yueyuen.com, www.pousheng.com