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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

**PROPOSED ACQUISITION OF 70% OF ISSUED SHARE CAPITAL
OF FARSIGHTED INTERNATIONAL LIMITED
BEING A
MAJOR TRANSACTION FOR POU SHENG INTERNATIONAL
(HOLDINGS) LIMITED AND
DISCLOSEABLE TRANSACTION FOR YUE YUEN INDUSTRIAL
(HOLDINGS) LIMITED**

**PROPOSED ISSUE OF SHARES BY
POU SHENG INTERNATIONAL (HOLDINGS) LIMITED
TO YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
BEING A
CONNECTED TRANSACTION FOR POU SHENG INTERNATIONAL
(HOLDINGS) LIMITED**

**RESUMPTION OF TRADING IN SHARES OF
POU SHENG INTERNATIONAL (HOLDINGS) LIMITED**

Financial Adviser to Pou Sheng International (Holdings) Limited



* *for identification only*

DZJ ACQUISITION AGREEMENT

Pou Sheng, the Vendor and FIL entered into the DZJ Acquisition Agreement on 13 January 2009, pursuant to which, among other things, Pou Sheng has conditionally agreed to purchase (or procure its nominee to purchase) and the Vendor has conditionally agreed to sell the Sale Shares, representing 70% of the issued share capital of FIL not already owned by Pou Sheng. The Consideration consists of (i) cash in the amount of US\$54,946,359 (which is approximately HK\$428,581,600) and (ii) 393,584,541 new Consideration Shares at an issue price of HK\$0.925 per Consideration Share, which will be allotted and issued, credited as fully paid, under the Existing Mandate. The principal asset of FIL is the entire equity interest in DZJ. DZJ, through its subsidiaries, is principally engaged in sportswear retailing business in the PRC.

To the best of the knowledge, information and belief of the directors of each of Yue Yuen and Pou Sheng, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is a third party independent of and not connected with Yue Yuen, Pou Sheng or their respective connected persons.

YUE YUEN SUBSCRIPTION AGREEMENT

On 13 January 2009, Pou Sheng entered into the Yue Yuen Subscription Agreement with Yue Yuen whereby, among other things, Pou Sheng conditionally agreed to allot and issue and Yue Yuen conditionally agreed to subscribe for a total of 421,621,622 Subscription Shares, at the Subscription Price of HK\$0.925 per new Pou Sheng Share or HK\$390,000,000 in aggregate.

The Yue Yuen Subscription is conditional on all conditions under the DZJ Acquisition Agreement having been fulfilled or waived but the DZJ Acquisition Agreement is not conditional on the Yue Yuen Subscription. The Yue Yuen Subscription Completion will take place immediately before the issue and allotment of the Consideration Shares.

LISTING RULES IMPLICATIONS

Major and connected transaction for Pou Sheng

DZJ Acquisition

The DZJ Acquisition constitutes a major transaction for Pou Sheng under Chapter 14 of the Listing Rules as at least one of the results of size tests exceeds 25%. The DZJ Acquisition is subject to the approval of Pou Sheng Shareholders. Since (i) Yue Yuen is a controlling shareholder of Pou Sheng holding approximately 55.7% of the issued shares in Pou Sheng at the date of this announcement, and (ii) no Pou Sheng Shareholder would be required to abstain from voting at a general meeting of Pou Sheng for the approval of the DZJ Acquisition, a written shareholders' approval of Yue Yuen may be accepted in lieu of holding a general meeting for Pou Sheng under Rule 14.44 of the Listing Rules. Yue Yuen's written approval of the DZJ Acquisition has been obtained for that purpose.

Yue Yuen Subscription

As Yue Yuen is a connected person of Pou Sheng under the Listing Rules, the Yue Yuen Subscription constitutes a connected transaction for Pou Sheng and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for Pou Sheng.

As Yue Yuen is a connected person of Pou Sheng having a material interest in the Yue Yuen Subscription, Yue Yuen and its associates will be required under Rule 14.46 of the Listing Rules to abstain from voting at the Pou Sheng SGM on the Yue Yuen Subscription. An independent financial adviser will be appointed to advise the independent board committee of Pou Sheng and Pou Sheng Shareholders as to whether the terms of the Yue Yuen Subscription are fair and reasonable and in the interests of Pou Sheng and its shareholders as a whole and to advise Pou Sheng Shareholders on how to vote, in compliance with Rule 13.39(6)(b) of the Listing Rules.

A circular containing, among other things, details of the DZJ Acquisition and the Yue Yuen Subscription and the advice of the independent financial adviser will be despatched to the Pou Sheng Shareholders as soon as practicable.

Discloseable transaction for Yue Yuen

DZJ Acquisition

Since Pou Sheng is a subsidiary of Yue Yuen, the DZJ Acquisition constitutes an acquisition for Yue Yuen and is a discloseable transaction for Yue Yuen under Chapter 14 of the Listing Rules.

At the request of Pou Sheng, trading in Pou Sheng Shares has been suspended with effect from 9:30 a.m. on 14 January 2009 pending the release of this announcement. Application has been made for resumption of trading in the Pou Sheng Shares with effect from 9:30 a.m. on 15 January 2009.

DZJ ACQUISITION AGREEMENT

On 13 January 2009, Pou Sheng, the Vendor and FIL entered into the DZJ Acquisition Agreement whereby among other things, Pou Sheng has conditionally agreed to purchase (or procure its nominee to purchase) and the Vendor has conditionally agreed to sell the Sale Shares. The following is a brief summary of some of the principal terms of the DZJ Acquisition Agreement:

Date of the DZJ Acquisition Agreement:

13 January 2009

Parties:

Purchaser:	Pou Sheng
Vendor:	The Vendor
Target:	FIL

Asset to be acquired:

Sale Shares representing 70% of the issued share capital of FIL not already owned by Pou Sheng. The principal asset of FIL is the entire equity interest in DZJ. DZJ, through its subsidiaries, is principally engaged in sportswear retailing business in the PRC.

For the year ended 30 September 2007, the audited consolidated net profits before and after taxation of FIL were approximately US\$3.7 million and US\$2.5 million respectively. For the year ended 30 September 2008, the audited consolidated net profits before and after taxation of FIL were approximately US\$28.2 million and US\$19.0 million respectively. The audited consolidated net asset value of FIL as at 30 September 2008 was approximately US\$31.7 million.

Consideration:

The Consideration consists of (i) cash in the amount of US\$54,946,359 (which is approximately HK\$428,581,600) payable at the DZJ Acquisition Completion; and (ii) 393,584,541 new Consideration Shares at an issue price of HK\$0.925 per Consideration Share, which will be allotted and issued, credited as fully paid, under the Existing Mandate at the DZJ Acquisition Completion. The Existing Mandate has not been utilised since it was granted on 14 May 2008.

This issue price of HK\$0.925 per Consideration Share was determined based on the recent performance of the price of the Pou Sheng Shares, the resultant shareholding of the Vendor in Pou Sheng after the issue and the financial and operating performance of FIL and its subsidiaries. The aggregate nominal value of the Consideration Shares is HK\$3,935,845.41. The issue price of HK\$0.925 per Consideration Share, represents:

- (i) a premium of approximately 10.1% to the closing price of HK\$0.84 per Pou Sheng Share as quoted on the Stock Exchange on 12 January 2009 (being the last trading day immediately prior to the date of the DZJ Acquisition Agreement);
- (ii) a premium of approximately 1.6% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.91 for the past 5 trading days up to and including 12 January 2009;
- (iii) a premium of approximately 2.8% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.90 for the past 10 trading days up to and including 12 January 2009;
- (iv) a premium of approximately 18.6% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.78 for the past 30 trading days up to and including 12 January 2009;
- (v) a premium of approximately 20.1% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.77 for the past 60 trading days up to and including 12 January 2009; and
- (vi) a premium of approximately 6.3% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.87 for the past 90 trading days up to and including 12 January 2009.

Pou Sheng intends to use all the proceeds from the Yue Yuen Subscription to satisfy part of the cash portion of the Consideration and will use internal resources to satisfy the remaining portion of the cash Consideration. If the Yue Yuen Subscription does not proceed, it will use internal resources and bank borrowings to satisfy the whole cash portion of the Consideration.

The Consideration was arrived at after arm's length negotiations between Pou Sheng and the Vendor with reference to the financial and operating performance of FIL and its subsidiaries. After the DZJ Acquisition Completion, Pou Sheng will recognise FIL as a subsidiary and fully consolidate FIL's results and assets into its consolidated accounts. The Consideration represents a price to earnings ratio of 7.6 based on the audited accounts of FIL for the financial year ended 30 September 2008, which is relatively attractive when compared to other companies with similar business. Such price to earnings ratio was calculated by dividing the Consideration by 70% (being the interest to be acquired by Pou Sheng) of the total audited consolidated earnings of FIL and its subsidiaries for the financial year ended 30 September 2008.

The Consideration Shares represent (i) approximately 11.0% of the existing issued share capital of Pou Sheng as at the date of this announcement; (ii) approximately 9.9% of the issued share capital of Pou Sheng as enlarged by the issue of the Consideration Shares; and (iii) approximately 9.0% of the issued share capital of Pou Sheng as enlarged by the issue of the Consideration Shares and the Yue Yuen Subscription Shares. The Consideration Shares when issued, will rank *pari passu* in all respects with the Pou Sheng 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. There is no restriction on disposal of the Consideration Shares by the Vendor under the DZJ Acquisition Agreement.

Conditions precedent of the DZJ Acquisition Agreement:

The DZJ Acquisition Completion is conditional upon the fulfilment or waiver (as applicable) of conditions precedent to the following effect:

1. save for any misrepresentation which will not result (or will not reasonably result) in any material adverse effects, all representations and warranties made by Pou Sheng, the Vendor and FIL under the DZJ Acquisition Agreement being true and correct at the date of the DZJ Acquisition Completion or at a specified date stated in the DZJ Acquisition Agreement (where appropriate);
2. all covenants, duties, conditions and agreements made by Pou Sheng, the Vendor and FIL in the DZJ Acquisition Agreement being complied with prior to and as at the date of DZJ Acquisition Completion;
3. the listing of and permission to deal in the Consideration Shares having been granted by the Stock Exchange;
4. there being no government actions or threats of government actions which (i) restrict, forbid or invalidate the transaction contemplated under the DZJ Acquisition Agreement, or (ii) affect Pou Sheng's right in operating or controlling FIL upon DZJ Acquisition Completion and there being no orders from any governmental departments forbidding the transaction contemplated under the DZJ Acquisition Agreement or rendering the completion of the DZJ Acquisition illegal; and
5. the terms of the DZJ Acquisition Agreement having been approved by Pou Sheng Shareholders (who are entitled to vote under the Listing Rules) in its general meeting pursuant to the requirements of the Listing Rules or if acceptable to the Stock Exchange, the receipt of a written shareholders' approval of Yue Yuen, Pou Sheng's controlling shareholder, in lieu of holding a general meeting.

Conditions 3 and 5 above cannot be waived. The DZJ Acquisition Agreement will be terminated automatically if the above conditions are not fulfilled or waived (as the case may be) within 180 days of the agreement.

DZJ Acquisition Completion:

DZJ Acquisition Completion is expected to take place within 14 Business Days after all the above conditions precedent are fulfilled or waived (as the case may be) including obtaining approval of the listing of and permission to deal in the Consideration Shares from the Stock Exchange.

DZJ is currently owned as to 100% by FIL which is in turn owned as to 70% by the Vendor and as to the remaining 30% by Pou Sheng (through its subsidiary Dragonlight Group). Upon DZJ Acquisition Completion, FIL will become a wholly-owned subsidiary of Pou Sheng. As Pou Sheng proposes to nominate its wholly-owned subsidiary, Dragonlight Group, to acquire the Sale Shares under the DZJ Acquisition Agreement, Pou Sheng will indirectly own the entire issued share capital of FIL through Dragonlight Group.

YUE YUEN SUBSCRIPTION AGREEMENT

On 13 January 2009, Pou Sheng entered into the Yue Yuen Subscription Agreement with Yue Yuen whereby, among other things, Pou Sheng conditionally agreed to allot and issue and Yue Yuen conditionally agreed to subscribe for a total of 421,621,622 Yue Yuen Subscription Shares, at the Yue Yuen Subscription Price of HK\$0.925 per new Pou Sheng Share or HK\$390,000,000 in aggregate. The following is a brief summary of some of the principal terms of the Yue Yuen Subscription Agreement:

Date of the Yue Yuen Subscription Agreement:

13 January 2009

Parties:

Issuer: Pou Sheng
Subscriber: Yue Yuen

Yue Yuen Subscription Price:

The Subscription Price is HK\$0.925, which is same as the issue price per Consideration Share. The aggregate nominal value of the Subscription Shares is HK\$4,216,216.22.

The Subscription Price of HK\$0.925 per Subscription Share was arrived at after arm's length negotiations between Pou Sheng and the Subscribers. The issue price of HK\$0.925 per Subscription Share was determined based on the recent performance of the price of the Pou Sheng Shares and the resultant shareholding of Yue Yuen in Pou Sheng after the issue.

The total gross and net proceeds from the Yue Yuen Subscription are the same and will amount to approximately HK\$390,000,000. The net subscription price of the Subscription Shares is expected to be approximately HK\$0.925 per Pou Sheng Share. The proposed use of the proceeds by Pou Sheng is to satisfy the cash Consideration of the DZJ Acquisition.

The closing price of Pou Sheng Shares, as quoted on the Stock Exchange on 12 January 2009, being the last trading day for Pou Sheng Shares prior to the date of the Yue Yuen Subscription Agreement, is HK\$0.84 per Share.

The Subscription Price represents:

- (i) a premium of approximately 10.1% to the closing price of HK\$0.84 per Pou Sheng Share as quoted on the Stock Exchange on 12 January 2009 (being the last trading day immediately prior to the date of the Yue Yuen Subscription Agreement);
- (ii) a premium of approximately 1.6% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.91 for the past 5 trading days up to and including 12 January 2009;
- (iii) a premium of approximately 2.8% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.90 for the past 10 trading days up to and including 12 January 2009;
- (iv) a premium of approximately 18.6% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.78 for the past 30 trading days up to and including 12 January 2009;
- (v) a premium of approximately 20.1% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.77 for the past 60 trading days up to and including 12 January 2009; and
- (vi) a premium of approximately 6.3% to the average closing price per Pou Sheng Share as quoted on the Stock Exchange of approximately HK\$0.87 for the past 90 trading days up to and including 12 January 2009.

Yue Yuen Subscription Shares:

Pursuant to the Yue Yuen Subscription Agreement, Pou Sheng conditionally agreed to allot 421,621,622 new Pou Sheng Shares, representing approximately 11.8% of the existing issued share capital of Pou Sheng as at the date of this announcement and approximately 10.6% of the issued share capital of Pou Sheng as enlarged by the Yue Yuen Subscription Shares.

There is no restriction on disposal of the Subscription Shares by Yue Yuen under the Yue Yuen Subscription Agreement.

The Yue Yuen Subscription Shares, when issued, will rank *pari passu* in all respects with all existing Pou Sheng Shares in issue as at the Yue Yuen Subscription Completion.

Application will be made by Pou Sheng to the Listing Committee for granting the listing of, and permission to deal in, the Yue Yuen Subscription Shares.

Conditions precedent of the Yue Yuen Subscription Agreement:

Yue Yuen Subscription Completion is conditional upon:

- (i) the Yue Yuen Subscription Agreement and the Whitewash Waiver (if required) having been approved by Pou Sheng Shareholders who are qualified under the Listing Rules to vote on the relevant resolutions in general meeting of Pou Sheng;
- (ii) if required, the Whitewash Waiver having been granted by the Executive;
- (iii) the conditions under the DZJ Acquisition having been fulfilled or waived; and
- (iv) listing of and permission to deal in the Yue Yuen Subscription Shares having been granted by the Stock Exchange.

The above conditions are not capable of being waived. If the above conditions are not fulfilled on or before 31 July 2009 (or such later date as Pou Sheng and Yue Yuen may agree in writing), then Yue Yuen may, thereafter at its option (but without prejudice to any other right or remedy it may have), by notice to Pou Sheng elect to terminate the Yue Yuen Subscription Agreement.

Yue Yuen Subscription Completion:

Yue Yuen Subscription Completion is to take place after the fulfilment of the above conditions but immediately before the DZJ Acquisition Completion.

FUND RAISING ACTIVITY OF POU SHENG

On 6 June 2008, Pou Sheng was listed on the Main Board of the Stock Exchange in connection with an initial public offering from which it raised net proceeds of approximately US\$316 million after the Over-allotment Option was partially exercised.

The use of proceeds of Pou Sheng's global offering was as follows:

- approximately US\$92 million, or approximately 29%, was used to expand Pou Sheng's retail network and geographical coverage for Pou Sheng's retail and brand licensee businesses, which include the opening of new retail outlets in prime locations of both major and emerging cities, the establishment of alternative retail formats such as sports complexes and multi-brand stores, the purchase of properties complementary to the expansion of its retail network and the acquisition, investment or entering into partnership with leading regional retailers;
- approximately US\$128 million, or approximately 41%, was used to repay a portion of Pou Sheng's bank borrowings, which include the entire balance of the additional bank borrowings of approximately US\$120 million that were raised prior to the listing of Pou Sheng for repaying the borrowings due to the minority shareholders of the subsidiaries of Yue Yuen and the subsidiaries of Yue Yuen;

- approximately US\$27 million, or approximately 9%, was used to repay the bank borrowings that Pou Sheng borrowed for the purposes of providing shareholder’s loans to some of our Regional Joint Ventures (as defined in the Prospectus);
- approximately US\$16 million, or approximately 5%, was used to pay the cash portion of the call option premium which Pou Sheng agreed to provide to some of Pou Sheng’s Call Option JVs’ partners (as defined in the Prospectus); and
- approximately US\$7 million, or approximately 2%, was used to increase Pou Sheng’s promotional and marketing activities for Pou Sheng’s brand licensee business, as well as further build its “YY Sports” brand through local and national advertising and promotional campaigns and unified branding that will reinforce the customer recognition of Pou Sheng as a leading sportswear retailer in the PRC.

As at the date of this announcement, approximately US\$46 million of the proceeds of Pou Sheng’s global offering has not yet been applied in respect of the above purposes but the Company intends to apply such amount for repayment of bank borrowings and business expansion or to satisfy the cash portion of the Consideration in the event the Yue Yuen Subscription does not proceed. The un-utilized portion of the proceeds from Pou Sheng’s global offering has been placed into interest-bearing bank accounts.

Save as disclosed above, Pou Sheng has not conducted any fund raising activity in the 12 months immediately before the date of this announcement.

SHAREHOLDING STRUCTURE OF POU SHENG AND EFFECT ON YUE YUEN

Assuming there is no other change in the shareholding capital of the Company after the date of this announcement, the following table sets out the shareholding structure of Pou Sheng at the date of this announcement and immediately after the Yue Yuen Subscription and the issue and allotment of Consideration Shares to the Vendor:

Shareholders	As at the date of this announcement		Immediately after the Yue Yuen Subscription but before the issue and allotment of Consideration Shares		Immediately after the issue and allotment of the Consideration Shares and the Subscription Shares	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Pou Sheng Shares</i>	<i>%</i>	<i>Pou Sheng Shares</i>	<i>%</i>	<i>Pou Sheng Shares</i>	<i>%</i>
Yue Yuen	1,986,723,000	55.7	2,408,344,622	60.4	2,408,344,622	55.0
Jollyard Investments Limited ⁽¹⁾	366,945,000	10.3	366,945,000	9.2	366,945,000	8.4
Vendor ⁽²⁾	NIL	NIL	NIL	NIL	393,584,541	9.0
Directors of Pou Sheng						
Huang Tsung Jen	277,976,000	7.8	277,976,000	7.0	277,976,000	6.3
David N. F. Tsai	3,037,000	0.1	3,037,000	0.1	3,037,000	0.1
Tsai Pei Chun, Patty	4,460,000	0.1	4,460,000	0.1	4,460,000	0.1
Other public	928,418,000	26.0	928,418,000	23.2	928,418,000	21.1
Total	<u>3,567,559,000</u>	<u>100%</u>	<u>3,989,180,622</u>	<u>100%</u>	<u>4,382,765,163</u>	<u>100%</u>

(1) On the Yue Yuen Subscription Completion and the issue and allotment of the Consideration Shares, Jollyard Investments Limited will cease to be a connected person of Pou Sheng for the purposes of the Listing Rules and its holdings in Pou Sheng will be counted as “public” holdings.

(2) The Pou Sheng Shares held by the Vendor count towards the public float of Pou Sheng.

The Yue Yuen Subscription will take place immediately before the issue and allotment of Consideration Shares, as a result of which Yue Yuen will hold 60.4% of the issued shares in Pou Sheng immediately after completion of the Yue Yuen Subscription but before the Consideration Shares are issued and allotted.

Immediately after the Yue Yuen Subscription and the issue and allotment of Consideration Shares, Yue Yuen’s interest in Pou Sheng will be 55.0% and Pou Sheng will remain a subsidiary of Yue Yuen. Assuming there is no change in the shareholding of Yue Yuen in Pou Sheng (other than as a result of the issue of Consideration Shares and/or Subscription Shares) after the date of this announcement, Yue Yuen’s shareholding in Pou Sheng will at all times remain above 50% immediately before and after the DZJ Acquisition and/or Yue Yuen Subscription, no Whitewash Waiver will therefore be required.

Pou Sheng was incorporated in Bermuda on 14 November 2007. Pou Sheng and its subsidiaries have at all material times been controlled by Yue Yuen and is regarded as a continuing entity. Accordingly, the financial information was prepared on the basis as if Pou Sheng had always been the holding company of the then subsidiaries of Pou Sheng prior to a reorganisation in connection with Pou Sheng's listing on the Stock Exchange in June 2008. For the year ended 30 September 2007, Pou Sheng's audited consolidated profits before and after taxation were approximately US\$58.4 million and US\$43.9 million respectively. For the year ended 30 September 2008, audited consolidated profits before and after taxation were approximately US\$100.5 million and US\$79.7 million respectively.

As at 30 September 2008, the audited consolidated net asset value of Pou Sheng was approximately US\$662.3 million.

LISTING RULES IMPLICATIONS

Major and connected transaction for Pou Sheng

DZJ Acquisition

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 25% but are less than 100%, the DZJ Acquisition constitutes a major transaction for Pou Sheng for the purpose of Chapter 14 of the Listing Rules. The DZJ Acquisition is subject to the approval of Pou Sheng Shareholders. Since (i) Yue Yuen is a controlling shareholder of Pou Sheng holding approximately 55.7% of the issued shares in Pou Sheng at the date of this announcement, and (ii) no Pou Sheng Shareholder would be required to abstain from voting at a general meeting of Pou Sheng for the approval of the DZJ Acquisition, a written shareholders' approval of Yue Yuen may be accepted in lieu of holding a general meeting for Pou Sheng under Rule 14.44 of the Listing Rules. Yue Yuen's written approval of the DZJ Acquisition has been obtained for that purpose.

Yue Yuen Subscription

As Yue Yuen is a connected person of Pou Sheng under the Listing Rules, the Yue Yuen Subscription constitutes a connected transaction for Pou Sheng and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for Pou Sheng.

As Yue Yuen is a connected person of Pou Sheng having a material interest in the Yue Yuen Subscription, Yue Yuen and its associates will be required under Rule 14.46 of the Listing Rules to abstain from voting at the Pou Sheng SGM on the Yue Yuen Subscription. An independent financial adviser will be appointed to advise the independent board committee of Pou Sheng and Pou Sheng Shareholders as to whether the terms of the Yue Yuen Subscription are fair and reasonable and in the interests of Pou Sheng and its shareholders as a whole and to advise Pou Sheng Shareholders on how to vote, in compliance with Rule 13.39(6)(b) of the Listing Rules.

A circular containing, among other things, details of the DZJ Acquisition and the Yue Yuen Subscription and the advice of the independent financial adviser will be despatched to the Pou Sheng Shareholders as soon as practicable.

Discloseable transaction for Yue Yuen

DZJ Acquisition

Since Pou Sheng is a subsidiary of Yue Yuen, the DZJ Acquisition constitutes an acquisition for Yue Yuen and is a discloseable transaction for Yue Yuen under Chapter 14 of the Listing Rules.

INFORMATION ON POU SHENG AND YUE YUEN

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.

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.

INFORMATION ON THE VENDOR

The Vendor is an investment holding company. Through FIL and DZJ, the Vendor engages in the sportswear retailing business in the PRC and is currently directly operating 464 stores in 6 provinces in the PRC. To the best of the knowledge, information and belief of the directors of each of Pou Sheng and Yue Yuen, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is third party independent of and not connected with Pou Sheng, Yue Yuen or their respective connected persons.

REASONS FOR AND BENEFITS OF THE DZJ ACQUISITION AND THE YUE YUEN SUBSCRIPTION

DZJ Acquisition

In order to expand the store network and geographical coverage of Pou Sheng in the PRC, a joint venture company, DZJ, was established on 13 August 1998. DZJ was later transformed into a foreign-invested enterprise wholly owned by FIL, a company incorporated in the British Virgin Islands. The DZJ Acquisition will enable Pou Sheng to consolidate fully the financial results of FIL which will become a wholly-owned subsidiary of Pou Sheng and enable Pou Sheng to recognise in its financial statements a larger share of the growth and profitability of FIL. The DZJ Acquisition will also allow Pou Sheng to benefit from economies of scale by increasing its purchasing power and potential integration of procurement and supply chain management functions. The DZJ Acquisition is also expected to strengthen Pou Sheng's position as a leading PRC sportswear retailer.

The Pou Sheng Board is of the view that the terms of the DZJ Acquisition Agreement are fair and reasonable and that the DZJ Acquisition is in the interest of Pou Sheng and in the interests of the Pou Sheng Shareholders as a whole.

The Yue Yuen Board is of the view that the terms of the DZJ Acquisition Agreement are fair and reasonable and that the DZJ Acquisition is in the interest of Yue Yuen and in the interests of the Yue Yuen Shareholders as a whole.

Yue Yuen Subscription

The Pou Sheng Board considers that the Yue Yuen Subscription represents an opportunity to raise additional capital for Pou Sheng and to strengthen the financial position of Pou Sheng. The Subscription Price represents a 1.6%, 2.8%, 18.6%, 20.1% and 6.3% premium to the respective 5, 10, 30, 60 and 90-day average closing price of the Pou Sheng Shares up to and including 12 January 2009. The Pou Sheng Board believes that the Yue Yuen Subscription represents an opportunity to raise capital at a favourable price to Pou Sheng. Pou Sheng intends to apply all the net proceeds from the Yue Yuen Subscription to partially satisfy the cash portion of the Consideration.

From the perspective of Yue Yuen, the Yue Yuen Board believes that the issue price per Subscription Share is attractive and the Yue Yuen Subscription represents a good opportunity for Yue Yuen to subscribe Pou Sheng Shares at a favourable price and to maintain its position as the majority shareholder of Pou Sheng.

The Pou Sheng Board (excluding its independent non-executive directors whose opinion will be given after receiving advice from the independent financial adviser) is of the view that the terms of the Yue Yuen Subscription Agreement are fair and reasonable and are on normal commercial terms and the Yue Yuen Subscription is in the interest of Pou Sheng and in the interests of the Pou Sheng Shareholders as a whole.

At the request of Pou Sheng, trading in Pou Sheng Shares has been suspended with effect from 9:30 a.m. on 14 January 2009 pending the release of this announcement. Application has been made for resumption of trading in the Pou Sheng Shares with effect from 9:30 a.m. on 15 January 2009.

DEFINITIONS

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

“Business Day”	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business
“Consideration”	the consideration payable by Pou Sheng for the DZJ Acquisition

“Consideration Share(s)”	Pou Sheng Share(s) to be allotted and issued by Pou Sheng to the Vendor credited as fully paid as part of the consideration for the DZJ Acquisition
“Dragonlight Group”	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
“DZJ”	Dalian Dongzhijie Sports Production Development Company (大連東之杰運動產業發展有限公司), a company established in the PRC with limited liability
“DZJ Acquisition”	the sale and purchase of the Sale Shares pursuant to the DZJ Acquisition Agreement
“DZJ Acquisition Agreement”	the sale and purchase agreement dated 13 January 2009 between Pou Sheng and the Vendor in respect of the sale and purchase of the Sale Shares
“DZJ Acquisition Completion”	completion of the DZJ Acquisition pursuant to the Acquisition Agreement
“Executive”	the meaning ascribed thereto in the Takeovers Code
“Existing Mandate”	the existing general mandate to issue Pou Sheng Shares granted to the Pou Sheng Board on 14 May 2008
“FIL”	Farsighted International Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency in Hong Kong
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Over-allotment Option”	the meaning ascribed to it in the Prospectus
“PHL”	Proudview Holdings Limited, a company incorporated with limited liability in the British Virgin Islands

“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 SGM”	the special general meeting of Pou Sheng to be convened for the purpose of approving the Yue Yuen Subscription, the notice of which will be contained in a circular to be despatched to the Pou Sheng Shareholders
“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 shares of Pou Sheng
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus issued by Pou Sheng dated 26 May 2008
“Sale Shares”	all the shares of FIL held by the Vendor, representing 70% of the issued share capital of FIL
“SFC”	the Securities and Futures Commission
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.925 per Subscription Share
“Subscription Share(s)”	421,621,622 new Pou Sheng Shares in aggregate to be issued by Pou Sheng to Yue Yuen pursuant to the Yue Yuen Subscription Agreement upon Yue Yuen Subscription Completion
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	PHL

“Whitewash Waiver”	a waiver from the obligations of Yue Yuen to make a general offer for all the Pou Sheng Shares (other than those held or agreed to be subscribed for by Yue Yuen under the Yue Yuen Subscription Agreement) under Rule 26 of the Takeovers Code that may arise on completion of the Yue Yuen Subscription
“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
“Yue Yuen Subscription”	the issue and allotment of 421,621,622 new Pou Sheng Shares to Yue Yuen pursuant to the Yue Yuen Subscription Agreement
“Yue Yuen Subscription Agreement”	the conditional subscription agreement dated 13 January 2009 between Pou Sheng and Yue Yuen in respect of the issue and allotment of new Pou Sheng Shares to Yue Yuen subject to the terms and conditions contained therein
“Yue Yuen Subscription Completion”	Completion of the Yue Yuen Subscription pursuant to the Yue Yuen Subscription Agreement
“%”	per cent

For the purpose of illustration in this announcement only, sums in US\$ were translated into HK\$ at a rate of US\$1 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
David N. F. Tsai
Chairman

Hong Kong, 14 January 2009

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. Edward Y. Ku, Mr. Kuo Tai Yu, Mr. Lu Chin Chu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve and Miss Tsai Pei Chun, Patty are the executive directors, Mr. John J. D. Sy is the non-executive director, and Mr. So Kwan Lok, Mr. Poon Yiu Kin, Samuel, 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. David N. F. Tsai (Chairman and Non-Executive Director), Mr. Huang Tsung Jen, Mr. Lee Chung Wen, Mr. Huang Chun Hua, Mr. Lu Ning and Miss Chang Karen Yi-Fen are the executive directors, Mr. Edward Y. Ku and Miss Tsai Pei Chun, Patty 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