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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)

PROPOSED DISCLOSEABLE TRANSACTION BY WAY OF SPIN-OFF AND SEPARATE LISTING OF POU SHENG INTERNATIONAL (HOLDINGS) LIMITED AND ITS SUBSIDIARIES ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

ISSUE OF WEB PROOF INFORMATION PACK

**CONNECTED TRANSACTIONS INVOLVING
CALL OPTIONS OVER EQUITY INTERESTS IN
湖北杰之行服飾有限公司 (HUBEI JIEZHIXING CLOTHING AND
ACCESSORIES COMPANY LIMITED)**

**青島寶瑞納體育用品有限公司 (TSINGDAO BAORUINA
SPORTS GOODS COMPANY LIMITED)**

AND

**雲南奧龍世博商貿有限公司 (YUNNAN ORIENTALSPORT
ECONOMY TRADE COMPANY LIMITED)**

Proposed Spin-Off

Further to the Spin-off Announcement, Pou Sheng proposes to post a WPIP in relation to the global offering of Pou Sheng on the website of the Stock Exchange on 16th May, 2008.

* For identification only

Call Options

The Call Option premium under the Jiezhixing Call Option Agreement will be satisfied as to 50% in cash and as to the remaining 50% by the issue and allotment of new Pou Sheng Shares. The settlement method of the call option premiums under the Tsingdao Baoruina Call Option Agreement and Yunnan Orientalsports Call Option Agreement remain unchanged and will be satisfied in full by the issue and allotment of new Pou Sheng Shares upon the Global Offering becoming conditional.

In addition, in respect of each of the Call Option under the Jiezhixing Call Option Agreement, Tsingdao Baoruina Call Option Agreement and Yunnan Orientalsports Call Option Agreement, the joint venture partners have agreed that any new Pou Sheng Shares to be issued as call option premium will be subject to restrictions on disposal or sale within the first six months of the Listing.

Reference is made to the announcement of Yue Yuen Industrial (Holdings) Limited (the “Company”) dated 29th April, 2008 in relation to the proposed spin-off and separate listing of Pou Sheng International (Holdings) Limited (“Spin-off Announcement”) and the announcement of the Company dated 9th April, 2008 in relation to the call options over equity interests in 湖北杰之行服飾有限公司 (Hubei Jiezhixing Clothing and Accessories Company Limited), 青島寶瑞納體育用品有限公司 (Tsingdao Baoruina Sports Goods Company Limited) and 雲南奧龍世博商貿有限公司 (Yunnan Orientalsport Economy Trade Company Limited) (“Call Option Announcement”). Terms defined in the Spin-off Announcement and the Call Option Announcement have the same meanings when used herein unless otherwise defined.

PROPOSED SPIN-OFF

In connection with the Proposed Spin-off, a roadshow to market the Pou Sheng Shares to certain selected institutional investors is expected to commence on or about 16th May, 2008. During the roadshow, Pou Sheng will provide certain selected institutional investors with an offering memorandum which includes certain business and financial information of Pou Sheng and the Pou Sheng Group which has not been previously disclosed to the public and will be in the web proof information pack (“WPIP”) in relation to the Global Offering of Pou Sheng Shares. We expect the WPIP can be viewed and downloaded from the website of the Stock Exchange at <http://www.hkex.com.hk/> commencing from 16th May, 2008.

As the listing of the Pou Sheng Shares pursuant to the Proposed Spin-off is subject to, among other things, the approval of Yue Yuen Shareholders and the Listing Committee, the final decision of the Board and the board of directors of Pou Sheng, the Proposed Spin-off may or may not occur. Yue Yuen Shareholders and other investors are reminded to exercise with caution when dealing in securities of Yue Yuen.

CALL OPTIONS

Reference is made to the Call Option Announcement. Under the Jiezhixing Call Option Agreement, the total amount of the call option premium was to be satisfied by the issue and allotment of new Pou Sheng Shares only.

The Dragonlight Entities have agreed with Mr. Qiu that the call option premium under the Jiezhixing Call Option Agreement will be satisfied as to 50% in cash and as to the remaining 50% by the issue and allotment of new Pou Sheng Shares. Settlement of such premium (both cash and Pou Sheng Shares) is to be satisfied at the time of Listing of Pou Sheng Shares.

The settlement method of the call option premiums under the Tsingdao Baoruina Call Option Agreement and Yunnan Orientalsports Call Option Agreement remain unchanged and will be satisfied in full by the issue and allotment of new Pou Sheng Shares.

In addition, in respect of each of the Call Option under the Jiexhixing Call Option Agreement, Tsingdao Baoruina Call Option Agreement and Yunnan Orientalsports Call Option Agreement, the joint venture partners have agreed that any new Pou Sheng Shares to be issued as call option premium will be subject to restrictions on disposal or sale within the first six months of the Listing.

The cash component of the respective Call Options is expected to be satisfied from the proceeds of the Global Offering.

Save as disclosed in this announcement, there are no other amendments to any of the Jiezhixing Call Option Agreement, the Tsingdao Baoruina Call Option Agreement or the Yunnan Orientalsports Call Option Agreement.

By order of the board of
Yue Yuen Industrial (Holdings) Limited
Tsai Chi Neng
Chairman

As at the date of this announcement, 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 a Non-executive Director, and Mr. So Kwan Lok, Mr. Poon Yiu Kin, Samuel and Dr. Liu Len Yu are the Independent Non-executive Directors.

Hong Kong, 15th May, 2008

Website: www.yueyuen.com