



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 551)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting of Yue Yuen Industrial (Holdings) Limited (the “Company”) will be held at 3/F, Tang Room I-II, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 22 May 2008 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the spin-off (“Spin-off”) of the interests in the sportswear and footwear retail business currently operated by the Company and its subsidiaries by way of separate listing on the main board of The Stock Exchange of Hong Kong Limited, details of which are contained in the circular of the Company dated 6 May, a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification be and is hereby approved;
- (b) the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Spin-off and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Spin-off as they may think fit including but not limited to the Company entering into:–
 - (i) a reorganisation agreement with Pou Sheng International (Holdings) Limited (“Pou Sheng”), Sports Group Limited, Jollyard Investments Limited and Mr. Huang Tsung Jen on 29 April 2008 in relation to the restructuring exercise that will be undertaken in contemplation of the Spin-off pursuant to which Pou Sheng will become the holding company of the business of the retail and wholesale of sportswear (including sports, casual/outdoor shoes, sports apparel and accessories) in the PRC, Taiwan and Hong Kong of the Company, a copy of which has been produced to this Meeting marked “B” and initialled by the chairman of the Meeting for the purpose of identification;
 - (ii) a business separation deed with Pou Sheng governing the manufacturing operations of each of the Company and Pou Sheng, a copy of which has been produced to this Meeting marked “C” and initialled by the chairman of the Meeting for the purpose of identification; and

* For identification only

- (iii) a deed of indemnity with Pou Sheng, Jollyard Investments Limited, Sports Group Limited and Mr. Huang Tsung Jen under which the Company agrees to provide indemnity in favour of Pou Sheng and its subsidiaries (“Pou Sheng Group”) in relation to certain taxation and properties of the Pou Sheng Group, a copy of which has been produced to this Meeting marked “D” and initialled by the chairman of the Meeting for the purpose of identification.
 - (c) conditional upon the listing of the ordinary shares of HK\$0.01 each of Pou Sheng on The Stock Exchange of Hong Kong Limited:–
 - (i) the rules of the share option scheme of Pou Sheng (a copy of which has been produced to this Meeting marked “E” and initialled by the chairman of the Meeting for the purpose of identification) be and are hereby approved and the directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate for the foregoing purpose; and
 - (ii) the rules of the share subscription plan of Pou Sheng (“Share Subscription Plan”) (a copy of which has been produced to this Meeting marked “F” and initialled by the chairman of the Meeting for the purpose of identification) be and are hereby approved and the Directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate for the foregoing purpose.”
2. **“THAT** conditional upon the passing of the resolution numbered 1 in the notice of Special General Meeting of the Company dated 6 May 2008 and on the listing of the ordinary shares of HK\$0.01 each (“Shares”) of Pou Sheng International (Holdings) Limited (“Pou Sheng”) on The Stock Exchange of Hong Kong Limited and the listing of, and permission to deal in, the Shares referred to below the issue and allotment of Shares under the Share Subscription Plan referred to in that notice of Special General Meeting at a price that is at a discount of 30% to the price at which Shares are offered to the public by Pou Sheng of Shares prior to its listing on that Stock Exchange of:–
- (i) Shares representing a maximum of 0.525% of the total issued share capital of Pou Sheng immediately after listing of Pou Sheng under invitation to be made to Mr. Lee Chung Wen subject to the vesting condition as stated in the relevant invitation letter;
 - (ii) Shares representing a maximum of 0.35% of the total issued share capital of Pou Sheng immediately after listing of Pou Sheng under invitation to be made to Mr. Huang Chun Hua subject to the vesting condition as stated in the relevant invitation letter;
 - (iii) Shares representing a maximum of 0.42% of the total issued share capital of Pou Sheng immediately after listing of Pou Sheng under invitation to be made to Ms. Chang Karen Yi-Fen subject to the vesting condition as stated in the relevant invitation letter;
 - (iv) Shares representing a maximum of 0.45% of the total issued share capital of Pou Sheng immediately after listing of Pou Sheng under invitation to be made to Mr. Lu Ning subject to the vesting condition as stated in the relevant invitation letter; and

- (v) Shares representing a maximum of 0.385% of the total issued share capital of Pou Sheng immediately after listing of Pou Sheng under invitation to be made to Mr. Ku Wen Hao subject to the vesting condition as stated in the relevant invitation letter.

be and is hereby approved and that the directors of the Company be and are hereby authorised generally to sign any documents and take any action as they may consider necessary or desirable to implement the transactions.”

By Order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 6 May 2008

Principal Place of Business:

7th Floor, Blocks A-D
HOP HING INDUSTRIAL BUILDING
702 Castle Peak Road
Kowloon, Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies (if such member is the holder of two or more shares) to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's principal place of business in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from Wednesday, 21 May 2008 to Monday 26 May 2008 (both days inclusive) for the purposes of determining the assured allotments and rights to vote at the special general meeting (“SGM”), during which dates no transfer of shares of the Company will be effected. In order to qualify for the preferential offering and voting at the SGM, all transfers, accompanied by the relevant certificates, must be lodged with the Company's Share Registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 20 May 2008.

As at the date of this notice, 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 and Dr. Liu Len Yu are the Independent Non-executive Directors.