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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)**

**RENEWAL OF CONTINUING CONNECTED  
TRANSACTIONS IN RELATION TO  
THE FRAMEWORK AGREEMENT WITH YUE YUEN**

For purpose of conducting its business, on 13 November 2018, the Company entered into the Framework Agreement with Yue Yuen, pursuant to which the Company may, through members of the PS Sub Group, continue to purchase from members of the YY Sub Group the Products from time to time during the term of the Framework Agreement.

Yue Yuen is a controlling shareholder of the Company holding 3,311,090,560 Shares (being approximately 61.98% of the issued shares of the Company) as at the date of this announcement and is therefore a connected person of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the annual caps under the Framework Agreement are more than 0.1% but less than 5%, the Framework Agreement is subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Reference is made to the announcement of the Company dated 11 November 2016 in relation to, inter alia, the 2016 Framework Agreement entered into between the Company and Yue Yuen in relation to the purchase of the Products by members of the PS Sub Group from members of the YY Sub Group for a term commencing from 1 January 2017 to 31 December 2018.

As the 2016 Framework Agreement is due to expire on 31 December 2018, on 13 November 2018, the Company entered into the Framework Agreement with Yue Yuen to regulate the business relationship between the PS Sub Group and the YY Sub Group in relation to the continuation of purchase of Products through members of the PS Sub Group, from members of the YY Sub Group for a further term of three years commencing 1 January 2019 and ending on 31 December 2021.

A summary of some of the principal terms of the Framework Agreement is set out below.

**FRAMEWORK AGREEMENT**

Date: 13 November 2018

Parties: (1) the Company  
(2) Yue Yuen

Subject matter: The Company may, through members of the PS Sub Group, purchase from members of the YY Sub Group the Products from time to time during the term of the Framework Agreement.

The Products shall be supplied to members of the PS Sub Group on a cost-plus basis taking into account the raw material and labour costs, factory management and sales expenses and profit margin and in any event on normal commercial terms or on terms no less favourable to the PS Sub Group than those offered to the PS Sub Group from independent third parties, and subject to the annual caps set out below. The purchase prices and terms of purchase orders will be monitored and compared by the management of the Company against, among others, those available from other independent third parties to ensure the reasonableness and competitiveness of the prices and terms offered by members of the YY Sub Group. The management of the Company obtains third party quotations in respect of comparable products from time to time and takes into account the capabilities and background of such third party suppliers, the quality, quantity, price and timely delivery, etc. of such products.

The Company shall procure members of the PS Sub Group to place individual purchase orders with members of the YY Sub Group on a quarterly basis (or such other period as may be agreed) in respect of the purchase of the Products. Yue Yuen shall procure members of the YY Sub Group to manufacture and sell the Products to members of the PS Sub Group.

Subject to the terms of the Framework Agreement, each individual purchase order of the Products shall set out the specific terms upon which the Products shall be supplied.

## **Annual caps**

The table below sets out the maximum aggregate value of the contract sum in respect of the Products to be purchased by members of the PS Sub Group from members of the YY Sub Group for each of the years ending 31 December 2021.

<b>Year</b>	<b>Annual Cap</b>
1 January 2019 to 31 December 2019	RMB30,000,000 (equivalent to approximately HK\$33,810,000)
1 January 2020 to 31 December 2020	RMB35,000,000 (equivalent to approximately HK\$39,445,000)
1 January 2021 to 31 December 2021	RMB40,000,000 (equivalent to approximately HK\$45,080,000)

The annual caps for each of the aforesaid years are determined after taking into account (a) the unit price of the Products; (b) the historical purchase amounts of the Products; (c) the expected change of the purchase amounts of the Products from members of the YY Sub Group; and (d) the current market price of the Products. Based on the record provided by the PS Sub Group, the amounts of orders placed with the YY Sub Group for the years ended 31 December 2016 and 31 December 2017 and the ten months ended 31 October 2018 were approximately RMB61,300,000, approximately RMB19,200,000 and approximately RMB20,200,000 respectively.

## **INFORMATION ON THE PARTIES**

The Company is an investment holding company and an indirect non-wholly owned subsidiary of Yue Yuen. The PS Sub Group is principally engaged in retailing and distribution of sportswear and footwear products.

Yue Yuen is an investment holding company. The principal activities of the YY Sub Group are manufacturing and sale of footwear products for various brands, including PONY brand.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

In respect of the Group's retail business, products are typically sourced from the brand companies. In respect of the Group's Brand Licensee Business, the Group typically has exclusive rights to design, manufacture, market and distribute, as approved by licensors, the licensed products for sale in authorised territories. One of the brands under the Group's Brand Licensee Business is PONY which brand licence in the PRC (exclusive of the Hong Kong Special Administrative Region and Macau Special Administrative Region) and Taiwan has been granted to an indirect wholly-owned subsidiary of the Company. As certain members of the YY Sub Group are already authorised manufacturers for the PONY brand products and have been supplying such products to the PS Sub Group, it would make commercial sense for the Group to continue to purchase PONY brand products from such members of the YY Sub Group. In addition, as members of the YY Sub Group are also authorised manufacturers for other brands which may in the future become brand licensors of the Group under its Brand Licensee Business, the continuation of business may further strengthen the relationship between the Group and Yue Yuen. The Board therefore considers that it is in the interest of the Company to enter into the Framework Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Framework Agreement and the transactions contemplated thereunder are conducted on arm's length basis and on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the Framework Agreement including the annual caps are fair and reasonable and the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Yue Yuen is a controlling shareholder of the Company holding 3,311,090,560 Shares (being approximately 61.98% of the issued shares of the Company) as at the date of this announcement and is therefore a connected person of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios (as defined in the Listing Rules) in respect of the annual caps under the Framework Agreement are more than 0.1% but less than 5%, the Framework Agreement is subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Ms. Tsai Patty, Pei Chun, a Director and also a director of Yue Yuen, is considered to have a material interest in the Framework Agreement by virtue of her directorship with Yue Yuen and has abstained from voting on the relevant resolution approving the Framework Agreement at the Board meeting.

In addition, each of Mr. Wu, Pan-Tsu and Mr. Lee, Shao-Wu (both of whom are Directors) is interested in 40,000 unvested share awards and 78,000 shares in Yue Yuen respectively. For good corporate governance, Mr. Wu, Pan-Tsu and Mr. Lee, Shao-Wu have voluntarily abstained from voting on the relevant resolution approving the Framework Agreement at the Board meeting.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Brand Licensee Business”	distribution of licensed sportswear and footwear products business
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement dated 13 November 2018 entered into between the Company and Yue Yuen in respect of the sale and purchase of the Products between members of the PS Sub Group and members of the YY Sub Group
“Group”	the Company and the PS Sub Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Products”	the footwear products manufactured and sold by the YY Sub Group, which for the present purpose, mainly include PONY brand products

“PS Sub Group”	means the Company’s subsidiaries, jointly controlled entities and associates from time to time but for the avoidance of doubt, excludes the Company
“RMB”	Renminbi, the lawful currency of PRC
“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
“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
“YY Factories”	the factories operated and/or appointed by members of the YY Sub Group as notified by Yue Yuen to the Company in writing from time to time
“YY Sub Group”	Yue Yuen’s subsidiaries, jointly controlled entities and associates and includes the YY Factories but for the avoidance of doubt, excludes Yue Yuen
“2016 Framework Agreement”	the framework agreement dated 11 November 2016 entered into between the Company and Yue Yuen in respect of the sale and purchase of the Products between members of the PS Sub Group and members of the YY Sub Group
“%”	per cent.

*For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1: HK\$1.127. 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 rate or at any other rates at all.*

By Order of the Board  
**Wu, Pan-Tsu**  
*Chairman*

Hong Kong, 13 November 2018

*As at the date of this announcement, the Board comprises:*

*Executive Directors*

*Mr. Wu, Pan-Tsu (Chairman) and Mr. Lee, Shao-Wu (Chief Executive Officer)*

*Non-executive Directors*

*Ms. Tsai Patty, Pei Chun and Mr. Li I-nan*

*Independent Non-executive Directors*

*Mr. Chen, Huan-Chung, Mr. Hsieh, Wuei-Jung and Mr. Feng Lei Ming*

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