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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)

(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE LEASE AGREEMENT (2) RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO DISTRIBUTION SALES TO SHANDONG LIWEI

(1) LEASE AGREEMENT

On 19 December 2022, Yue-Shen Taicang (a branch of an indirect wholly-owned subsidiary of the Company) entered into the Lease Agreement with Hung Tak Investment (a wholly-owned subsidiary of Godalming) pursuant to which Hung Tak Investment agreed to lease the Premises to Yue-Shen Taicang for logistics and storage purposes from 1 January 2023 to 31 December 2023.

(2) 2023 DISTRIBUTION AGREEMENT

Reference is made to the announcement of the Company dated 28 October 2022 in respect of the 2022 Distribution Agreement. On 19 December 2022, Qingdao Pou Sheng entered into the 2023 Distribution Agreement with Shandong Liwei pursuant to which Qingdao Pou Sheng agreed to supply Brand Products to Shandong Liwei from 1 January 2023 to 31 December 2023.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yue-Shen Taicang is a branch of an indirect wholly-owned subsidiary of the Company. Hung Tak Investment is a wholly-owned subsidiary of Godalming, which is in turn owned as to approximately 85.45% by a discretionary trust and its sub-funds for the benefits of Tsai's family (including Ms. Tsai, a non-executive Director). Therefore, Hung Tak Investment is an associate of Ms. Tsai and a connected person of the Company under Chapter 14A of the Listing Rules. Qingdao Pou Sheng is an indirect non wholly-owned subsidiary of the Company. Shandong Liwei is a substantial shareholder of Qingdao Pou Sheng. Shandong Liwei is also owned as to 70% by one of the directors of Qingdao Pou Sheng. Therefore, Shandong Liwei is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Lease Agreement does not fulfil the recognition criteria of a lease and no rights-of-use assets will be recognised according to Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants. The transactions under the 2023 Distribution Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company. Therefore, the transactions under the Lease Agreement and the 2023 Distribution Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As: (i) one or more of the applicable percentage ratios in respect of the annual cap under the Lease Agreement exceed 0.1% but are less than 5%; and (ii) one or more of the applicable percentage ratios in respect of the annual cap for the transactions under the 2023 Distribution Agreement exceed 1% but are less than 5%, the transactions under the Lease Agreement and the 2023 Distribution Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and shareholders’ approval requirements under Rule 14A.76 of the Listing Rules.

(1) LEASE AGREEMENT

INTRODUCTION

On 19 December 2022, Yue-Shen Taicang (a branch of an indirect wholly-owned subsidiary of the Company) entered into the Lease Agreement with Hung Tak Investment (a wholly-owned subsidiary of Godalming) pursuant to which Hung Tak Investment agreed to lease the Premises (comprising part of the three premises referred to under the Seventh Supplemental Godalming Tenancy Agreement) to Yue-Shen Taicang for logistics and storage purposes from 1 January 2023 to 31 December 2023.

PRINCIPAL TERMS OF THE LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below:

Date:	19 December 2022
Parties:	(i) Yue-Shen Taicang (ii) Hung Tak Investment
Subject matter:	Hung Tak Investment agreed to lease the Premises to Yue-Shen Taicang for logistics and storage purposes for the year ending 31 December 2023.

Premises: The factory building of Block F, Yue Yuen Industrial Estate, Gaobu Town, Dongguan, Guangdong Province, PRC of approximately 30,000 square meters.

The Premises comprise part of the three premises referred to under the Seventh Supplemental Godalming Tenancy Agreement.

Monthly rental and lease premium: Monthly rental of approximately RMB296,000 (inclusive of 5% VAT)

Lease premium of approximately RMB900,000

Annual cap

**Financial year ending
31 December 2023
(RMB)**

Annual cap under the Lease Agreement (*Note*) approximately 4,444,000

Note: The Lease Agreement does not fulfil the recognition criteria of a lease and no rights-of-use assets will be recognised by the Group according to Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants as Hung Tak Investment has the substantive substitution right over the Premises. Thus the entering into of the Lease Agreement and the transactions contemplated thereunder will be regarded as a continuing connected transaction under Chapter 14A of the Listing Rules and the annual cap under the Lease Agreement is set as the aggregate amount of the annual rental (inclusive of 5% VAT) and lease premium for the Premises under the Lease Agreement.

Pricing basis

The monthly rental on the Premises under the Lease Agreement is based on the open market rates, which are referenced to valuations performed by Cushman & Wakefield Limited, an independent professional valuer, and is not higher than the monthly rental appraised by such independent valuer.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Premises are essential for the continued operation and growth of the business of the Group. Taking into the monthly rental payable on the Premises, the Directors (including the independent non-executive Directors) are of the view that the Lease 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 Lease Agreement (including the rental) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(2) 2023 DISTRIBUTION AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 28 October 2022 in respect of the 2022 Distribution Agreement. On 19 December 2022, Qingdao Pou Sheng entered into the 2023 Distribution Agreement with Shandong Liwei pursuant to which Qingdao Pou Sheng agreed to supply Brand Products to Shandong Liwei from 1 January 2023 to 31 December 2023.

PRINCIPAL TERMS OF THE 2023 DISTRIBUTION AGREEMENT

The principal terms of the 2023 Distribution Agreement are set out below:

- Date:** 19 December 2022

- Parties:**
 - (i) Qingdao Pou Sheng

 - (ii) Shandong Liwei

- Subject matter:** Qingdao Pou Sheng may supply the Brand Products to Shandong Liwei on a non-exclusive basis from time to time for the year ending 31 December 2023 subject to the minimum commitment purchase amount of RMB34,880,000 and maximum annual cap of RMB50,000,000.

Save for the amounts of the minimum commitment purchase amount and the maximum annual cap as stated above, all other key terms of the 2023 Distribution Agreement are same as those of the 2022 Distribution Agreement.

Historical transaction amount

The actual amount of purchases of the Brand Products by Shandong Liwei from Qingdao Pou Sheng for the eleven months ended 30 November 2022 was approximately RMB45,700,000.

Basis for the proposed annual cap

The proposed annual cap is determined after taking into account (i) the purchase price of the Brand Products from brand companies and the gross profit margin for resale to retail sub-distributors; (ii) the historical purchase amounts of the Brand Products of Shandong Liwei for the eleven months ended 30 November 2022; and (iii) the expected decrease of the purchase amounts of the Brand Products of Shandong Liwei for the year ending 31 December 2023 based on the anticipated demand from Shandong Liwei for the Brand Products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 DISTRIBUTION AGREEMENT

The Group has entered into distributorship agreements with several brand companies, pursuant to which the Group is typically appointed as their authorised non-exclusive sportswear and footwear distributor in the PRC. Through these distributorship agreements, the Group purchases sportswear and footwear products from brand companies for resale to end customers or to retail sub-distributors. The Company considers that a steady relationship with its retail sub-distributors is of importance to the Group as the retail outlets operated by retail sub-distributors complement the reach of the directly operated retail network of the Group and ensure stability in the demand of sportswear and footwear. The Company considers the entering into of the 2023 Distribution Agreement will allow the Group to continue the cooperation and to make use of the well-established retail networks of Shandong Liwei in Weifang city of Shandong Province to promote the sale of Brand Products.

Pursuant to the 2023 Distribution Agreement, Shandong Liwei is only allowed to sell the Brand Products to end customers at pre-approved retail locations and its retail outlets and counters shall be subject to the monitoring of the Group and relevant brand companies. Also, the Brand Products shall be supplied to Shandong Liwei on normal commercial terms and on terms no more favourable than those offered by Qingdao Pou Sheng to independent third party sub-distributors. Taking into account the terms stated above, the entering into of the 2023 Distribution Agreement can provide the Group with advantages in costs and maintain its competitiveness as retail distributor.

The Directors (including the independent non-executive Directors) are of the view that the 2023 Distribution 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 2023 Distribution Agreement (including the proposed annual cap) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

To ensure the transactions contemplated under the 2023 Distribution Agreement and the Lease Agreement will be conducted on normal commercial terms, the Group has adopted the following internal control procedures:

- (i) the finance department of the Company will review each transaction to ensure that the annual caps are not exceeded and the Group will monitor its utilisation of the annual cap amounts on a monthly basis;
- (ii) the independent non-executive Directors will review the transactions contemplated under the 2023 Distribution Agreement and the Lease Agreement pursuant to Rule 14A.55 of the Listing Rules, and confirm in the annual report as to whether the transactions have been entered into in the ordinary and usual course of business, on normal commercial terms or better, and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iii) the Company's auditors will also conduct an annual review on the continuing connected transactions under the 2023 Distribution Agreement and the Lease Agreement in accordance with Rule 14A.56 of the Listing Rules.

In addition, the Group has adopted the following internal control procedures in relation to the 2023 Distribution Agreement:

- (i) Qingdao Pou Sheng will compare the gross profit margin for sale to Shandong Liwei with those made to independent third party sub-distributors on a regular basis in order to confirm the terms of the supply of Brand Products under the 2023 Distribution Agreement (including the gross profit margin) are not more favourable than prevailing market terms; and
- (ii) if the gross profit margin for sale to Shandong Liwei is lower than those made to independent third party sub-distributors, Qingdao Pou Sheng will negotiate with Shandong Liwei to ensure that the supplies of Brand Products will be conducted on normal commercial terms and are fair and reasonable, and will reflect the prevailing market terms of similar products offered to independent third parties.

INFORMATION ON THE PARTIES

The Group, Yue-Shen Taicang and Qingdao Pou Sheng

The Company is an investment holding company. The principal activities of the Group are distribution and retailing of sportswear and footwear products, provision of sports services and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales.

Yue-Shen Taicang is a branch of a company which is established under the laws of the PRC with limited liability. As at the date of this announcement, Yue-Shen Taicang is indirectly wholly-owned by the Company. The principal activity of Yue-Shen Taicang is general storage of goods.

Qingdao Pou Sheng is a company established under the laws of the PRC with limited liability. As at the date of this announcement, Qingdao Pou Sheng is indirectly owned as to 72% by the Company and directly owned as to 28% by Shandong Liwei. The principal activities of Qingdao Pou Sheng are retailing of sportswear and footwear products.

Hung Tak Investment and Shandong Liwei

Hung Tak Investment is a wholly-owned subsidiary of Godalming, which is in turn owned as to approximately 85.45% by a discretionary trust and its sub-funds for the benefits of Tsai's family members (including Ms. Tsai, a non-executive Director). The principal activity of Hung Tak Investment is property holding.

Shandong Liwei is a company established under the laws of the PRC with limited liability. As at the date of this announcement, Shandong Liwei is ultimately owned as to 70% and 30% by Liu Guozhong (劉國忠) and Li Jianxin (李建新) respectively. Liu Guozhong (劉國忠) is also the sole director of Shandong Liwei. The principal activities of Shandong Liwei are retailing and distribution of sportswear and footwear. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the ultimate beneficial owners of Shandong Liwei are third parties independent of the Company and its connected persons except that Liu Guozhong (劉國忠) is a director of Qingdao Pou Sheng.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Yue-Shen Taicang is a branch of an indirect wholly-owned subsidiary of the Company. Hung Tak Investment is a wholly-owned subsidiary of Godalming, which is in turn owned as to approximately 85.45% by a discretionary trust and its sub-funds for the benefits of Tsai's family (including Ms. Tsai, a non-executive Director). Therefore, Hung Tak Investment is an associate of Ms. Tsai and a connected person of the Company under Chapter 14A of the Listing Rules. Qingdao Pou Sheng is an indirect non wholly-owned subsidiary of the Company. Shandong Liwei is a substantial shareholder of Qingdao Pou Sheng. Shandong Liwei is also owned as to 70% by one of the directors of Qingdao Pou Sheng. Therefore, Shandong Liwei is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Lease Agreement does not fulfil the recognition criteria of a lease and no rights-of-use assets will be recognised according to Hong Kong Financial Reporting Standard 16 "Leases" issued by the Hong Kong Institute of Certified Public Accountants. The transactions under the 2023 Distribution Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company. Therefore, the transactions under the Lease Agreement and the 2023 Distribution Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As: (i) one or more of the applicable percentage ratios in respect of the annual cap under the Lease Agreement exceed 0.1% but are less than 5%; and (ii) one or more of the applicable percentage ratios in respect of the annual cap for the transactions under the 2023 Distribution Agreement exceed 1% but are less than 5%, the transactions under the Lease Agreement and the 2023 Distribution Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Ms. Tsai has abstained from voting on the Board resolution(s) approving the Lease Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in each of the Lease Agreement and the 2023 Distribution Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“1 st Distribution Agreement”	the master distribution agreement dated 8 February 2022 entered into between Qingdao Pou Sheng and Shandong Liwei in respect of supply of Brand Products from Qingdao Pou Sheng to Shandong Liwei on non-exclusive basis during the year ending 31 December 2022
“2022 Distribution Agreement”	the supplemental distribution agreement dated 28 October 2022 entered into between Qingdao Pou Sheng and Shandong Liwei which, among others, revised the annual cap under the 1 st Distribution Agreement
“2023 Distribution Agreement”	the master distribution agreement dated 19 December 2022 entered into between Qingdao Pou Sheng and Shandong Liwei in respect of supply of Brand Products from Qingdao Pou Sheng to Shandong Liwei on non-exclusive basis during the year ending 31 December 2023
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Brand Products”	sportswear and footwear products which Qingdao Pou Sheng or the Group purchases from brand companies as retail distributor
“Circular”	the circular of Yue Yuen dated 10 November 2020
“Company”	Pou Sheng International (Holdings) Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 3813)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Godalming”	Godalming Industries Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to approximately 85.45% by a discretionary trust and its sub-funds for the benefits of Tsai’s family members (including Ms. Tsai, a non-executive Director)

“Godalming Tenancy Agreement”	the tenancy agreement dated 8 June 1992 entered into between Yue Yuen International Limited, a wholly-owned subsidiary of Yue Yuen, and subsidiaries of Godalming for the rental of certain premises in the PRC for production and logistics purposes, as amended and supplemented
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hung Tak Investment”	鴻德投資有限公司 Hung Tak Investment Limited, a company incorporated in Samoa with limited liability and an associate of Ms. Tsai
“Lease Agreement”	the agreement dated 19 December 2022 entered into between Hung Tak Investment as landlord and Yue-Shen Taicang as tenant in relation to the lease of the Premises commencing on 1 January 2023 and ending on 31 December 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Tsai”	Ms. Tsai Patty, Pei Chun, a non-executive Director
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Premises”	The factory building of Block F, Yue Yuen Industrial Estate, Gaobu Town, Dongguan, Guangdong Province, PRC
“Qingdao Pou Sheng”	青島寶勝國際體育用品有限公司 (Qingdao Pou Sheng International Sporting Goods Company Limited*), a company established in the PRC with limited liability and is an indirect non wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Seventh Supplemental Godalming Tenancy Agreement”	the agreement dated 8 October 2020 entered into between subsidiaries of Godalming as landlords, and subsidiaries (including Yue-Shen Taicang) and a joint venture of Yue Yuen as tenants supplemental to the Godalming Tenancy Agreement, further details of which are disclosed in the Circular
“Shandong Liwei”	山東力威經貿有限公司 (Shandong Liwei Trading Company Limited*), a company established in the PRC with limited liability and holds 28% equity interests in Qingdao Pou Sheng
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“VAT”	value-added tax
“Yue Yuen”	Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 551), and a substantial Shareholder holding approximately 62.55% of the issued shares of the Company
“Yue-Shen Taicang”	裕盛(太倉)鞋業有限公司東莞分公司 (Yue-Shen (Taicang) Footwear Co., Ltd. Dongguan Branch*), a branch of a company which is established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Yu Huan-Chang
Chairman

Hong Kong, 19 December, 2022

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

Executive Directors

Mr. Yu Huan-Chang (Chairman), Mr. Liao, Yuang-Whang and Mr. Hu, Chia-Ho

Non-executive Directors

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

Independent Non-executive Directors

Mr. Chen, Huan-Chung, Mr. Feng Lei Ming and Mr. Liu, Hsi-Liang

Website: www.pousheng.com

** for identification purpose only*