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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 TRANSACTION
IN RELATION TO
DISTRIBUTION SALES TO SHANDONG LIWEI**

NEW DISTRIBUTION AGREEMENT

On 27 December 2023, Qingdao Pou Sheng entered into the New Distribution Agreement with Shandong Liwei pursuant to which Qingdao Pou Sheng agreed to supply Brand Products to Shandong Liwei for a period of three years from 1 January 2024 to 31 December 2026.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 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. As (1) Shandong Liwei is a connected person of the Company at the subsidiary level; (2) the Board has approved the New Distribution Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the New Distribution Agreement are fair and reasonable and the New Distribution Agreement and the transactions contemplated thereunder are on normal commercial terms or better to the Company and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the New Distribution Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the announcements of the Company dated 28 October 2022 and 19 December 2022 in respect of the Previous Distribution Agreements. On 27 December 2023, Qingdao Pou Sheng entered into the New Distribution Agreement with Shandong Liwei pursuant to which Qingdao Pou Sheng agreed to supply Brand Products to Shandong Liwei for a period of three years from 1 January 2024 to 31 December 2026.

PRINCIPAL TERMS OF THE NEW DISTRIBUTION AGREEMENT

The principal terms of the New Distribution Agreement are set out below.

Date: 27 December 2023

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 during the Term subject to the minimum commitment purchase amounts and maximum annual caps as stated below.

Shandong Liwei shall purchase the Brand Products on its own account from Qingdao Pou Sheng for the purpose of resale in the PRC.

The parties will enter into individual sales contracts pursuant to the terms of the New Distribution Agreement.

Term: Three years from 1 January 2024 to 31 December 2026

Minimum commitment purchase amounts: To be agreed upon from time to time in the individual sales contracts.

Maximum annual caps:	For the year ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	44,000	45,000	47,000

- Restrictions:**
- (1) Shandong Liwei shall only resell the Brand Products to end customers via retail outlets and counters at the pre-approved locations within the PRC.
 - (2) Shandong Liwei shall purchase and sell the Brand Products exclusively from Qingdao Pou Sheng.
 - (3) The retail outlets and counters of Shandong Liwei are required to observe pre-set retail procedures, store layouts and policies from Qingdao Pou Sheng and relevant brand companies.

Pricing basis: The Brand Products shall be supplied to Shandong Liwei on a cost-plus basis with an average gross profit margin (net of discounts) of between 10% to 20% taking into account the general gross profit margin for distribution of similar products in the PRC, and in any event on normal commercial terms and on terms no more favourable than those offered by Qingdao Pou Sheng to independent third parties.

Payment and delivery: Shandong Liwei shall settle the purchase amounts within five days of the date of invoice and Qingdao Pou Sheng will only dispatch products ordered by Shandong Liwei upon receiving the payment in full.

Renewal: Shandong Liwei may apply to renew the Distribution Agreement by giving six months of prior notice to Qingdao Pou Sheng and the Distribution Agreement may be renewed upon mutual agreement, provided that the requirements under the relevant laws, regulations and Listing Rules are complied with.

Historical transaction amount

The historical transaction amounts for the purchases of the Brand Products by Shandong Liwei from Qingdao Pou Sheng for the year ended 31 December 2022 and eleven months ended 30 November 2023 were approximately RMB45.6 million and RMB30.3 million, respectively.

Basis for the proposed maximum annual caps

The proposed maximum annual caps are 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 year ended 31 December 2022 and eleven months ended 30 November 2023; and (iii) the expected change of the purchase amounts of the Brand Products of Shandong Liwei during the Term taking into account the anticipated demand based on the indicative orders received from Shandong Liwei for the Brand Products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW 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 and counters 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 New Distribution Agreement will allow the Group to continue the cooperation with Shandong Liwei under the Previous Distribution Agreements and reduce the administrative costs of renegotiating terms of individual distribution agreements, and also enables the Group to leverage the well-established retail networks of Shandong Liwei in Weifang city of Shandong Province to promote the sale of Brand Products.

Pursuant to the New 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 New 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 New 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 New Distribution Agreement (including the proposed maximum annual caps) 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 New Distribution Agreement will be conducted on normal commercial terms, the Group has adopted the following internal control procedures:

- (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 monthly basis in order to confirm the terms of the supply of Brand Products under the New Distribution Agreement (including the gross profit margin) are not more favourable than those offered to independent third parties;
- (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;
- (iii) the finance department of the Company will review each transaction to ensure that the maximum annual caps are not exceeded and the Group will monitor its utilisation of the maximum annual cap amounts on a monthly basis;
- (iv) the independent non-executive Directors will review the transactions contemplated under the New Distribution 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
- (v) the Company's auditors will also conduct an annual review on the transactions contemplated under the New Distribution Agreement in accordance with Rule 14A.56 of the Listing Rules.

INFORMATION ON THE PARTIES

The Group 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 and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales.

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 activity of Qingdao Pou Sheng is retailing of sportswear and footwear products.

Shandong Liwei

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, 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. As (1) Shandong Liwei is a connected person of the Company at the subsidiary level; (2) the Board has approved the New Distribution Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the New Distribution Agreement are fair and reasonable and the New Distribution Agreement and the transactions contemplated thereunder are on normal commercial terms or better to the Company and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the New Distribution Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have any material interest in the New Distribution Agreement and the transactions contemplated thereunder and therefore, none of them are required to abstain from voting on the Board resolution(s) approving the New Distribution Agreement.

DEFINITIONS

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

“2022 Distribution Agreement”	the master distribution agreement dated 8 February 2022 as amended and supplemented by the supplemental distribution agreement dated 28 October 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 ended 31 December 2022
“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
“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

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Distribution Agreement”	the master distribution agreement dated 27 December 2023 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 Term
“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
“Previous Distribution Agreements”	namely the 2022 Distribution Agreement and the 2023 Distribution Agreement
“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
“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 as at the date of this announcement
“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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Term”	three years from 1 January 2024 to 31 December 2026
“%”	per cent.

By order of the Board
Yu Huan-Chang
Chairman

Hong Kong, 27 December, 2023

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

Executive Directors

Mr. Yu Huan-Chang (Chairman), Mr. Hu, Chia-Ho and Mr. Chen, Li-Chieh (Chief Financial Officer)

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*