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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)

**CONTINUING CONNECTED TRANSACTION IN RELATION TO
DISTRIBUTION SALES TO SHANDONG LIWEI**

DISTRIBUTION AGREEMENT

On 28 October 2022, Qingdao Pou Sheng entered into the Supplemental Distribution Agreement with Shandong Liwei pursuant to which the parties agreed to increase the annual cap initially set under the Distribution Agreement for the supply of Brand Products from Qingdao Pou Sheng to Shandong Liwei during the Term.

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 and 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 transactions under the Distribution Agreements have been and will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios of the annual cap under the Distribution Agreement were less than 1% at the time of entering into of the Distribution Agreement, the transactions under the Distribution Agreement constituted de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and were fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Revised Annual Cap under the Supplemental Distribution Agreement exceed 1% but are less than 5% at the time of entering into of the Supplemental Distribution Agreement, the transactions under the Distribution Agreements 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.

INTRODUCTION

On 28 October 2022, Qingdao Pou Sheng entered into the Supplemental Distribution Agreement with Shandong Liwei pursuant to which the parties agreed to increase the initial annual cap set out under the Distribution Agreement for the supply of Brand Products from Qingdao Pou Sheng to Shandong Liwei during the Term. Save for the revision of annual cap, all other provisions of the Distribution Agreement remain in full force and effect. The Distribution Agreement contains key terms under which distribution sales are to be conducted between Qingdao Pou Sheng and Shandong Liwei and the initial annual cap for the period between 1 January 2022 and 31 December 2022.

PRINCIPAL TERMS OF THE DISTRIBUTION AGREEMENT

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

- Date:** 8 February 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 during the Term subject to the minimum commitment and maximum cap 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 Distribution Agreement.
- Term:** For one year from 1 January 2022 to 31 December 2022.

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| Minimum commitment and maximum cap: | Shandong Liwei agreed to purchase the Brand Products from Qingdao Pou Sheng during the Term for the aggregate transaction sums of not less than RMB40.0 million and not more than RMB45.0 million. |
| Restrictions: | <ol style="list-style-type: none"> (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 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 15% 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. |

PRINCIPAL TERMS OF THE SUPPLEMENTAL DISTRIBUTION AGREEMENT

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

- Date:** 28 October 2022
- Parties:** (i) Qingdao Pou Sheng
(ii) Shandong Liwei
- Subject matter:** Qingdao Pou Sheng and Shandong Liwei agreed to increase the initial annual cap set out under the Distribution Agreement for the supply of Brand Products for the year ending 31 December 2022 from RMB45.0 million to RMB65.0 million.
- Save for the revision of annual cap, all other provisions of the Distribution Agreement remain in full force and effect.

Historical Transaction Amount

The actual amount of purchases of the Brand Products by Shandong Liwei from Qingdao Pou Sheng for the nine months ended 30 September 2022 was approximately RMB42.0 million.

Basis for the Revised Annual Cap

The Revised 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 nine months ended 30 September 2022; and (iii) the expected increment of the purchase amounts of the Brand Products of Shandong Liwei for the three months ending 31 December 2022 based on the anticipated increasing demand from Shandong Liwei for the Brand Products.

INTERNAL CONTROL PROCEDURES

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

- (i) Qingdao Pou Sheng has compared and 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 Distribution Agreements (including the gross profit margin) are not more favourable than prevailing market terms;

- (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 has reviewed and 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;
- (iv) the independent non-executive Directors will review the transactions contemplated under the Distribution Agreements 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 continuing connected transactions under the Distribution Agreements in accordance with Rule 14A.56 of the Listing Rules.

INFORMATION ON THE PARTIES

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.

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.

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.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DISTRIBUTION AGREEMENTS

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 purchase 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 Distribution Agreements will allow the Group 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 Distribution Agreements, Shandong Liwei is only allowed to sell the Brand Products to end customers at pre-approved retail locations and its retail outlets and counters 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 Distribution Agreements 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 Distribution Agreements and the transactions contemplated thereunder have been and 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 Distribution Agreements (including the Revised Annual Cap) are fair and reasonable and the Distribution Agreements are in the interests of the Company and the Shareholders as a whole.

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 and 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 transactions under the Distribution Agreements have been and will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and therefore, constitute continuing connected transactions of the Company under the Listing Rules.

As all the applicable percentage ratios of the annual cap under the Distribution Agreement were less than 1% at the time of entering into of the Distribution Agreement, the transactions under the Distribution Agreement constituted de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and were fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Revised Annual Cap under the Supplemental Distribution Agreement exceed 1% but are less than 5% at the time of entering into of the Supplemental Distribution Agreement, the transactions under the Distribution Agreements 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.

None of the Directors has any material interest in the transactions contemplated under the Supplemental Distribution Agreement, and none of them is required to abstain from voting on the Board resolutions for approving the Supplemental Distribution Agreement.

DEFINITIONS

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

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| “Board” | the board of Directors |
| “Brand Products” | sportswear and footwear products which Qingdao Pou Sheng or the Group purchase 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 Stock Exchange with stock code 3813 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “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 Term |

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| “Distribution Agreements” | namely the Distribution Agreement and the Supplemental Distribution Agreement |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “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 |
| “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 |
| “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 |
| “Revised Annual Cap” | the revised maximum aggregate value of the transaction sum in respect of the Brand Products to be purchased by Shandong Liwei from Qingdao Pou Sheng for the year ending 31 December 2022 under the Supplemental Distribution Agreement (being RMB65.0 million) |
| “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 |
| “share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “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 |

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| “Supplemental Distribution Agreement” | the supplemental distribution agreement dated 28 October 2022 entered into between Qingdao Pou Sheng and Shandong Liwei in respect of the Revised Annual Cap |
| “Term” | the term of the Distribution Agreements, being one year from 1 January 2022 until 31 December 2022 |
| “%” | per cent. |

By order of the Board
Yu Huan-Chang
Chairman

Hong Kong, 28 October, 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*