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波 司 登 國 際 控 股 有 限 公 司

Bosideng International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3998)

CONTINUING CONNECTED TRANSACTIONS REVISION OF THE TERMS AND ANNUAL CAPS, AND THE RENEWAL, OF THE FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENTS

References are made to the announcement of the Company dated March 28, 2017 and the circular of the Company dated May 12, 2017 in respect of, among other things, the renewal of the Initial Agreement, which was entered into between the Company and the Parent Group relating to the manufacturing outsourcing and agency arrangement.

SUPPLEMENTAL AGREEMENT

On May 27, 2019, the Company and Mr. Gao Dekang (the Chairman, Chief Executive Officer and substantial shareholder of the Company) entered into the Supplemental Agreement to expand the scope of manufacturing and processing services offered by the Parent Group under the Initial Agreement to down related materials, in addition to down apparel products.

REVISION OF 2019/20 ANNUAL CAPS

As the amount of manufacturing services actually required by the Group from the Parent Group under the Agreements exceeds the original projection due to, *inter alia*, the expanded scope of processing services for down related materials under the Supplemental Agreement and the rapid growth in the branded down apparel business and OEM management business of the Group, the aggregate amount of fees payable by the Group to the Parent Group for the year ending March 31, 2020 is expected to exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Cap for the year ending March 31, 2020 in order to comply with Rule 14A.54 of the Listing Rules.

RENEWAL OF THE AGREEMENTS

As the Agreements will expire on September 14, 2020, on May 27, 2019, the Board resolved to propose to the Independent Shareholders to renew the Agreements and to obtain the New Annual Caps for the transactions contemplated thereunder for the two years ending March 31, 2022 in order to comply with the Listing Rules.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Agreements will be subject to the reporting, announcement and independent shareholders' approval requirements as the applicable percentage ratios under the Listing Rules are expected to be more than 5% on an annual basis and the maximum annual consideration is more than HKD10 million.

A circular containing, among others, further details of the transactions contemplated under the Agreements, the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM, will be despatched to the Shareholders on or before July 31, 2019, as additional time will be required to prepare the relevant information to be included in the circular.

FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENTS

Supplemental Agreement

On May 27, 2019, the Company and Mr. Gao Dekang (the Chairman, Chief Executive Officer and substantial shareholder of the Company) entered into the Supplemental Agreement to expand the scope of manufacturing and processing services offered by the Parent Group under the Initial Agreement to down related materials, in addition to down apparel products.

Scope of the Agreements

Pursuant to the Agreements, the Company has agreed to outsource its manufacturing process of down apparel under the Initial Agreement and its down related materials under the Supplemental Agreement to the Parent Group on a non-exclusive basis, which currently includes the Manufacturing Companies.

Under the Agreements, the Parent Group provides labour, factory, premises, necessary equipment, water and electricity for the processing of down apparel products (including semi-finished and finished products) and its down related materials. The Group provides the Parent Group with raw materials, product designs and specifications, and pays the Parent Group a processing fee based on the agreed production volume with a view to facilitating the Parent Group's manufacturing and processing works.

In addition, the Parent Group also from time to time procures raw materials for the Group's original equipment manufacturing ("**OEM**") management business from independent third party suppliers in the PRC in accordance with the Group's instructions. No agency fee is payable by the Group to the Parent Group and the raw materials procured are used solely for the manufacturing of the Group's OEM products. Members of the Group and the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the Agreements during the term thereof.

Fees

The processing fee shall be payable in cash by the Group within 30 days after the completion of processing of each batch of down apparel products and/or its down related materials. The information required for estimation of the costs to be incurred for the processing services is transparent, as the Group can easily make reference to the prevailing market information relating to labour costs, rental of similar premises and the utilities expenses. The Group is also able to have access to/request for the information of the monthly salary, rental, utilities expenses incurred by the Parent Group in the previous months for estimation of the costs to be incurred for each batch of down apparel products and/or its down related materials.

After determining the costs to be incurred for the relevant batch of down apparel products and/or its down related materials of the Parent Group and the applicable mark-up rate ranging from 5% to 10% (depending on location, quantity and the turnaround time of the processing services required) (the "**Estimated Costs**"), the Company will then invite independent third parties to consider if they are able to provide the processing services on similar terms (i.e. quality, turnaround time, payment terms) at a fixed price (being the Estimated Cost) or any lower price they can offer.

The non-exclusive arrangement under the Agreements allows the Group to appoint other manufacturers for the processing of down apparel products and/or its down related materials if the terms offered by the Parent Group are not the most favourable to the Group. Should the terms offered by independent manufacturers be lower than the Estimated Costs with other terms similar to or better than those offered by the Parent Group, the Group will then appoint other manufacturers for the processing of down apparel products and/or its down related materials.

REVISION OF 2019/20 ANNUAL CAPS

As the amount of services actually required by the Company under the Agreements exceeds the original projection due to the reasons set out below, the aggregate amount of fees payable by the Group to the Parent Group for the year ending March 31, 2020 is expected to exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Cap for the year ending March 31, 2020 in order to comply with Rule 14A.54 of the Listing Rules.

(i) Substantial growth in branded down apparel business and OEM management business

As disclosed in the Group's FY2018/19 interim report and the announcements relating to the operational updates of the branded down apparel business of the Group issued by the Company on January 8, 2019 and February 25, 2019, respectively, the Group began to implement its overall strategy of focusing on its principal business and key brands while implementing de-diversification. The Group's core brand – *Bosideng* – focused on its positioning as "Global Hot-selling Down Apparel Experts" and continued to strengthen its brand upgrades, quality upgrades, channel upgrades, image upgrades and innovation in fashion and functionality resulting in its branded down apparel business achieving better results in terms of its retail and revenue performance (including online and offline) in FY2018/19. For the six months ended September 30, 2018, the Group's branded down apparel business under the *Bosideng* brand recorded an increase of approximately 24.1% in revenue to approximately RMB1,557.1 million as compared to that for the corresponding period of last year. The revenue of the overall branded down apparel business segment increased by approximately 19.5% to approximately RMB1,772.5 million as compared to that for the corresponding period of last year. The accumulated revenue of the down apparel business under the *Bosideng* brand for the period FY2018/19 further increased by more than 35% as compared to the same period of FY2017/18 as at February 25, 2019.

The revenue from the Group's OEM management business also reached approximately RMB1,106.9 million for the six months ended September 30, 2018, representing approximately 32.1% of the Group's revenue and increased by approximately 63.5% as compared to that for the corresponding period of last year. The substantial increase in the revenue from OEM management business over that in the same period of last year was mainly due to the fact that the Group focused on core customers' needs and worked together with customers to develop some new product categories by capitalizing on the Group's technology strengths, which gradually increased the proportion of the original design manufacturing ("**ODM**") management business during the upgrade process from purely OEM to ODM management business. This enhanced customers' loyalty and resulted in a significant increase in the actual total number of orders secured from existing customers as compared to that in the corresponding period in the last financial year. Coupled with the production management experience of being the expert of down apparel, it has strengthened the quality control and management of orders and production process, thus enhancing the competitiveness of the Group's OEM management business.

As a result of the substantial increase in sales of the Group's branded down apparel and the number of orders secured from existing OEM customers in FY2018/19 and such upward trend is expected to continue in FY2019/20, the demand for the manufacturing services of the Group from the Parent Group is expected to increase substantially.

(ii) Expanded scope of manufacturing and processing services under the Supplemental Agreement

As a result of expanded scope of manufacturing and processing services offered by the Parent Group to the Group under the Supplemental Agreement to cover down related materials, the demand for the manufacturing and processing services of the Group from the Parent Group is expected to correspondingly increase.

(iii) Specific demand from OEM customers

Based on the quality assurance of the Parent Group in the field of down apparel manufacturing over the years, the increasing customer requirements for improved quality of down garments in recent years and the enhanced customer loyalty, the specific demand from the OEM customers of the Group for the down apparel products to be manufactured by the Parent Group has been continuously increased.

(iv) Quality quick-response system

As disclosed in the Group's FY2018/19 interim report, the Group's supply chain, which is a quality quick-responsive system, is the core of sustaining its efficient, healthy and long-term development. According to the current commodity operation strategy, the Group continues to conduct restocking during the peak season according to the data about the responses from the end consumers, and achieves a quality quick-responsive system for the supply of goods, thereby greatly strengthening the inventory optimization management of channels.

Under such strategy, each batch of down apparel products orders placed by the Group achieves a quality quick-responsive system through maintaining a demand-pull mechanism, quickly updating and ordering small quantities at a quick turnaround time. As such, there are not many independent manufacturers who are capable to take up such manufacturing orders. The Parent Group therefore took up most of these manufacturing orders of small quantities placed by the Group, which nearly fully utilized the original annual caps as disclosed below.

Historical Figures

Set out below is the aggregate fees paid under the Agreements by the Group to the Parent Group for each of the three years ended March 31, 2019 and the one month period ended April 30, 2019 together with the historical annual caps:

Year ended March 31, 2017 RMB (million) (Audited)		2018 RMB (million) (Audited)		2019 RMB (million) (Unaudited)		One month period ended April 30, 2019 RMB (million) (Unaudited)	Year ending March 31, 2020 RMB (million)
Actual amounts	Historical cap	Actual amounts	Historical cap	Actual amounts	Historical cap	Actual amounts	Historical cap
554.6	1,150.0	811.5	950.0	1,106.9	1,150.0	19.7	1,380.0

The Company proposes the New Annual Cap for the year ending March 31, 2020 to be RMB1,770.0 million with reasons set out under the section headed "New Annual Caps" in this announcement.

RENEWAL OF THE AGREEMENTS

The Initial Agreement has an initial term of three years from September 15, 2007 to September 14, 2010 and has been further renewed and extended to September 14, 2020.

Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the Agreements are renewable at the option of the Company for another term of three years or such other term as agreed by the parties by giving at least three months' notice prior to the expiry of the initial term. Subject to the approval by the Independent Shareholders at the EGM of the renewal of the Agreements (including the New Annual Caps thereof), the Company will serve the notice to the Parent Group indicating that it intends to renew the Agreements for a further term of two years up to September 14, 2022.

New Annual Caps

The New Annual Caps for each of the three years ending March 31, 2022, respectively, are set out below:

	For the year ending March 31, 2020 *RMB (million)*	2021 *RMB (million)*	2022 *RMB (million)*
New Annual Caps	1,770.0	2,470.0	3,270.0

The New Annual Caps set out above are determined based on the following:

(a) the historical figures of the relevant transactions, in particular, the historical figures for each of the two years ended March 31, 2019 had nearly fully utilized the original annual cap as disclosed above;

(b) the expected substantial increase in the demand for the manufacturing and processing services from the Parent Group due to the substantial growth in the branded down apparel business and OEM management business of the Group in FY2018/19 as explained above is expected to continue, given the Group's overall strategic transformation of focusing on its branded down apparel business while implementing de-diversification;

(c) the substantial increase in demand for the processing services for down related materials of the Group's branded down apparels products or OEM products under the expanded scope of processing services pursuant to the Supplemental Agreement;

(d) the expected increase in prices for the receipt of similar services from third party contract manufacturers for the three years ending March 31, 2022, in particular, the increase of manufacturing fees as a result of higher labour costs;

(e) the continuous adoption of the stringent control in inventory, improving technology and quality and immediate stock replenishment strategy of the Group which will increase the manufacturing costs of the other independent manufacturers and thus the Group's reliance on the manufacturing services of the Parent Group which can be more flexible in entertaining the Group's order request in terms of smaller quantity and quicker turnaround time, as there are not many independent manufacturers who are capable to take up such manufacturing orders at the Estimated Costs as requested by the Group;

(f) based on the quality assurance of the Parent Group in the field of down apparel manufacturing over the years and the increasing customer requirements for improved quality of down garments in recent years, the specific demand from the OEM customers of the Group for the down apparel products to be manufactured by the Parent Group is expected to be continuously increased; and

(g) the inclusion of a buffer for the estimated amount of the services required by the Group under the Agreements so as to accommodate any unexpected increase in the aforesaid transaction volume amount (as a result of any unexpected increase in market demand for the Group's down apparel products or OEM products) or unexpected increase in the cost of provision of the services as contemplated under the Agreements.

Such projection is assumed solely for determining the New Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group.

REASONS FOR AND BENEFITS OF THE REVISION OF THE TERMS AND ANNUAL CAPS, AND THE RENEWAL, OF THE AGREEMENTS

The Group is principally engaged in research, design and development, raw materials procurement, outsourced manufacturing, marketing and distribution of branded down apparel products, OEM products and non-down apparel products in the PRC.

As mentioned above, given that the amount of manufacturing services actually required by the Company under the Agreements exceeds the original projection with the expanded scope of processing services under the Supplemental Agreement and the rapid growth in the branded down apparel business and OEM management business of the Group, the aggregate amount of fees payable by the Group to the Parent Group for the year ending March 31, 2020 is expected to exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Cap for the year ending March 31, 2020 in order to comply with Rule 14A.54 of the Listing Rules.

Further, the revision of the terms, and the renewal, of the Agreements will enable the Group to continue to use the more flexible manufacturing services offered by the Parent Group for its down apparel products and its down related materials, take advantage of the quality assurance of the Parent Group in the field of down apparel manufacturing over the past years and respond to the increasing customer requirements for improved quality of down garments in recent years and the specific demand from the OEM customers of the Group for the down apparel products to be manufactured by the Parent Group, so as to increase its competitiveness.

The INEDs and the auditor of the Company will on a regular basis be provided with the (i) Agreements; (ii) agreements entered into between the Group and independent third parties for the processing of the same type of down apparel products; and (iii) fee quotations provided by independent third parties for the processing of the same type of down apparel products and/or its down related materials for review and comparison purposes. The INEDs will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Agreements are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Agreements are conducted in accordance with the terms of the Agreements.

The Directors (excluding the INEDs who will provide their advice after having received the advice from the Independent Financial Adviser) are of the opinion that the transactions contemplated under the Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the Agreements (including the New Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Gao Dekang, Ms. Mei Dong (the spouse of Mr. Gao Dekang) and Mr. Gao Xiaodong (the son of Mr. Gao Dekang), all of whom are Directors, have abstained from voting on the board resolution approving the revision of the terms, and the renewal, of the Agreements (including the New Annual Caps thereunder).

LISTING RULES IMPLICATIONS

Mr. Gao Dekang (the Chairman and Chief Executive Officer of the Company) is the substantial shareholder of the Company beneficially interested in approximately 71.59% of the Company's issued shares as at the date of this announcement. For so long as Mr. Gao Dekang remains a substantial shareholder of the Company, transactions between the Group and the Parent Group (including the transactions contemplated under the Agreements) constitute connected transactions for the Company under the Listing Rules.

The applicable percentage ratios under Chapter 14A of the Listing Rules, in respect of transactions contemplated under the Agreements are expected to be more than 5% on an annual basis and the maximum annual consideration is more than HKD10 million. Accordingly, the transactions contemplated under the Agreements will be subject to independent shareholders' approval, reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to approve, *inter alia*, the revision of the terms, and the renewal, of the Agreements (including the New Annual Caps thereunder). Other than Mr. Gao Dekang and his associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the revision of the terms, and the renewal, of the Agreements (including the New Annual Caps thereunder).

The Independent Board Committee comprising all INEDs has been set up to approve the appointment of the Independent Financial Adviser and to advise the Independent Shareholders in relation to, *inter alia*, the revision of the terms, and the renewal, of the Agreements (including the New Annual Caps thereto). Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the transactions contemplated under the Agreements, the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM, will be despatched to the Shareholders on or before July 31, 2019, as additional time will be required to prepare the relevant information to be included in the circular.

DEFINITIONS

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

"Agreements"	collectively, the Initial Agreement and the Supplemental Agreement
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors of the Company
"Company"	Bosideng International Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Directors"	the director(s) of the Company

"EGM"	an extraordinary general meeting of the Company to be held to consider and approve the revision of the terms, and the renewal, of the Agreements (including the New Annual Caps thereunder)
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising all the INEDs, namely Mr. Dong Binggen, Mr. Wang Yao and Dr. Ngai Wai Fung
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the revision of the terms, and the renewal, of the Agreements (including the New Annual Caps thereunder)
"Independent Shareholders"	Shareholders other than Mr. Gao Dekang and his associates and any other person who has a material interest in the Agreements
"INEDs"	the independent non-executive Directors
"Initial Agreement"	the framework manufacturing outsourcing and agency agreement entered into between the Company and Mr. Gao Dekang dated September 15, 2007, in respect of which notice of renewal will be served by the Company to the Parent Group to extend the term up to September 14, 2022, pursuant to which the Group agrees to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Manufacturing Companies"	Bosideng Corporation, Jiangsu Xuezhongfei Apparels Manufacturing Co., Ltd., Shandong Kangbo Industry Co., Ltd., Jiangsu Bosideng Clothing Co., Ltd., Jiangsu Bosideng Industrial Development Co., Ltd., Henan Xinbo Clothing Co., Ltd. and Jiangsu Kangxin Garment Co., Ltd., all of which are owned or controlled by Mr. Gao Dekang's family
"New Annual Cap(s)"	the proposed revised annual cap and the new annual caps for the continuing connected transactions under the Agreements for the three years ending March 31, 2022, as set out under the section headed "New Annual Caps" in this announcement

"Parent Group"	Mr. Gao Dekang and his associates, other than members of the Group
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the agreement supplemental to the Initial Agreement entered into between the Company and Mr. Gao Dekang dated May 27, 2019 relating to the expansion of the scope of the manufacturing and processing services to down related materials
"%"	per cent

By order of the Board
Bosideng International Holdings Limited
Gao Dekang
Chairman

Hong Kong, May 27, 2019

As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Ms. Huang Qiaolian, Mr. Rui Jinsong and Mr. Gao Xiaodong; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Wang Yao and Dr. Ngai Wai Fung.