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波司登
BOSIDENG

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
RENEWAL OF THE FRAMEWORK INTEGRATED
SERVICE AGREEMENT AND LEASE AGREEMENTS**

Reference is made to the announcement of the Company dated March 22, 2019 in respect of, among other things, the Framework Integrated Service Agreement which will soon expire on September 14, 2022 and the Supplemental Lease Agreement which will soon expire on April 21, 2022 (except for the Property Lease Agreement which provides that the lease term of each lease granted thereunder shall be no more than 20 years) and shall, subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving renewal notice prior to the expiry of the term. The Company intends to renew the Framework Integrated Service Agreement and the Supplemental Lease Agreement by serving the renewal notices to the Parent Group no later than their respective deadlines and to renew the annual caps for the transactions contemplated thereunder for the three years ending on March 31, 2025 in order to comply with the Listing Rules.

The transactions contemplated under each of the CCT Agreements entered into by the Company will be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement as the applicable percentage ratios under the Listing Rules in respect of the annual cap are more than 0.1% and less than 5%.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

(1) Framework Integrated Service Agreement

Pursuant to the Framework Integrated Service Agreement, the Parent Group agrees to provide the Group with various ancillary services, which currently include the provision of hotel accommodation and property management services, which include repair and maintenance, security and general cleaning, for the properties occupied by the Group located in the PRC.

The Framework Integrated Service Agreement has an initial term of three years from September 15, 2007 and shall, subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term. The Company intends to further renew the Framework Integrated Service Agreement for another term of three years from September 15, 2022 and to serve the notice to the Parent Group no later than June 14, 2022.

Set out below are the aggregate service fees paid under the Framework Integrated Service Agreement by the Group to the Parent Group for each of the two years ended March 31, 2020 and 2021 and the period from April 1, 2021 to November 30, 2021 together with the historical annual caps:

Year ended March 31				Eight months ended	Year ending
2020		2021		November 30,	March 31,
(RMB)		(RMB)		2021	2022
(Audited)		(Audited)		(Unaudited)	(RMB)
Actual amounts	Historical cap	Actual amounts	Historical cap	Actual amounts	Historical cap
15,814,000	18,000,000	11,789,000	20,000,000	9,384,000	22,000,000

The proposed annual caps under the Framework Integrated Service Agreement for each of the three years ending March 31, 2025 are set out below:

	For the year ending March 31,		
	2023	2024	2025
	RMB	RMB	RMB
Proposed annual caps	20,000,000	21,000,000	22,000,000

The proposed annual caps for each of the three years ending March 31, 2025 have been determined with reference to (i) the historical service fees paid under the Framework Integrated Service Agreement; (ii) the extent of utilization of the historical annual caps for the three years ending March 31, 2022 as disclosed above; (iii) the expected stable annual increase in the utilization of (a) the property management services (including utilities, i.e. electricity, water, repair and maintenance) and (b) the accommodation and dining services from Changshu Bosideng Hotel Co. Ltd; and (iv) the expected increase in product prices caused by inflation.

The Directors (including the INEDs) have confirmed that the service fees payable by the Group to the Parent Group are determined with reference to (i) the rate set by the PRC Government, or (ii) the rate not higher than the rate recommended by the PRC Government (if the PRC Government has not fixed a rate), or (iii) the rate not higher than the market price for similar services provided in the vicinity or the market price for similar services provided in the PRC if no market price for similar services provided in the vicinity is available, or (iv) a fee agreed by the parties after taking into account the actual cost or reasonable cost (whichever is lower) plus reasonable profits for the provision of similar services if bases (i) to (iii) are not available.

The INEDs and the auditor of the Company will be provided on a regular basis with the (i) Framework Integrated Service Agreement; (ii) agreements entered into between the Group and independent third parties for the provision of the same or similar types of services; and (iii) fee quotations provided by independent third parties for the provision of the same or similar types of services for review and comparison purpose. 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 Framework Integrated Service Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Framework Integrated Service Agreement are conducted in accordance with the terms of the Framework Integrated Service Agreement.

On this basis, the Directors consider that the methods and procedures adopted by the Group can ensure that the transactions contemplated under the Framework Integrated Service Agreement will be conducted on normal commercial terms and in a manner not prejudicial to the interests of the Company and its minority Shareholders.

(2) Lease Agreements

Pursuant to the Property Lease Agreement, as at November 30, 2021, the Parent Group has leased thirteen properties with a total area of approximately 56,566 square meters to the Group mainly as the Group's regional offices, warehouses, showrooms and stores.

The term of each lease granted under the original Property Lease Agreement shall be no more than 20 years from the date of the Property Lease Agreement. Under the Property Lease Agreement, the Group is able to terminate a lease of any premise at any time prior to its expiry at the sole discretion of the Company without any penalty, provided that a 30-day prior notice is given to the Parent Group. The Parent Group cannot terminate any lease without the Group's consent. The Company and Mr. Gao Dekang also entered into the Supplemental Lease Agreement on April 22, 2013 pursuant to which the Parent Group agreed to lease additional premises in the PRC to the Group from time to time for a term of not more than three years. The Supplemental Lease Agreement has been renewed and further extended to April 21, 2022. The new leases to be entered into under the Supplemental Lease Agreement shall, subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term. The Company intends to further renew the Supplemental Lease Agreement prior to its expiry date.

The Directors (including the INEDs) are of the opinion that the renewal of the Supplemental Lease Agreement can provide flexibility for the Group to enter into short-term leases with the Parent Group for premises located in the PRC from time to time under an agreed framework.

Set out below is a list of existing leases entered into pursuant to the Lease Agreements:

Lease number	Approximate annual rental payable for the year ending March 31, 2023 <i>RMB (million)</i>	Approximate size of the property <i>(square meter)</i>	Location	Use of the property
1.	1.77	11,781	Jiangsu	Warehouse and showroom
2.	0.99	6,607	Jiangsu	Warehouse
3.	1.98	13,213	Jiangsu	Warehouse
4.	0.41	2,500	Jiangsu	Warehouse
5.	0.52	2,746	Jiangsu	Warehouse
6.	0.20	1,309	Jiangsu	Warehouse
7.	0.68	4,558	Jiangsu	Warehouse
8.	0.52	3,460	Jiangsu	Office
9.	2.76	3,216	Shanghai	Office
10.	2.32	6,292	Jiangsu	Store
11.	0.18	374	Jiangsu	Store
12.	0.17	336	Jiangsu	Store
13.	0.09	174	Jiangsu	Store

Set out below is the aggregate rental paid by the Group to the Parent Group for each of the two years ended March 31, 2020 and 2021 and the period from April 1, 2021 to November 30, 2021 together with the historical annual caps:

Year ended March 31		Year ended March 31		Eight months ended	Year ending
2020		2021		November 30,	March 31,
(RMB)		(RMB)		2021	2022
(Audited)		(Audited)		(Unaudited)	
Actual	Historical	Actual	Historical	Actual	Historical
amounts	cap	amounts	cap	amounts	cap
31,602,000	40,000,000	23,114,000	50,000,000	7,948,000	60,000,000

The proposed annual caps under the Lease Agreements for each of the three years ending March 31, 2025 are set out below:

	For the year ending March 31,		
	2023	2024	2025
	RMB	RMB	RMB
Proposed annual caps	18,000,000	19,000,000	20,000,000

The proposed annual caps under the Lease Agreements for each of the three years ending March 31, 2025 have been estimated with reference to (i) the prevailing market rental for similar properties situated around the premises under the leases set out above; (ii) the decreasing trend in the historical rental paid to the Parent Group due to the acquisition of the logistic park from the Parent Group in October 2020; (iii) the expected normal annual increase of rental in the regions in which the Group currently leases properties from the Parent Group; and (iv) the expected normal annual increase in the number of additional premises to be leased to the Group for a term of not more than three years as well as the leased areas under the renewed Supplemental Lease Agreement.

The Directors (including the INEDs) have confirmed that the annual rental paid and expected to be paid by the Group to the Parent Group for the leasing of properties have been determined on an arm's length basis by reference to the prevailing market condition in the PRC and the market rates of comparable properties which in any event is not higher than the rent applicable to an independent third party tenant at the relevant time and the proposed annual cap under the Lease Agreements is fair and reasonable to the Company.

The INEDs and the auditor of the Company will be provided on a regular basis with the (i) the Lease Agreements; (ii) lease agreements entered into between the Group and independent third parties for comparable properties in similar locations; and (iii) fee quotations provided by independent third parties for the lease of comparable properties in the vicinity for review and comparison purpose. The INEDs will also review and compare the relevant payment terms, payment method and rental payable under these agreements to ensure that the transactions contemplated under the Lease Agreements are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Lease Agreements are conducted in accordance with the terms of the Lease Agreements.

On this basis, the Directors consider that the methods and procedures adopted by the Group can ensure that the transactions contemplated under the Lease Agreements will be conducted on normal commercial terms and in a manner not prejudicial to the interests of the Company and its minority Shareholders.

REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in developing and managing its branded down apparel products and non-down apparel products, which includes research, design and development, raw materials procurement, outsourced manufacturing, market promotion, and marketing and distribution of branded down apparel products, original equipment manufacturing products and non-down apparel products.

The Non-exempt Continuing Connected Transactions are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The renewal of the Non-exempt Continuing Connected Transactions will continue to allow the Group to utilize the geographical advantages and resources of the Parent Group to increase the Group's competitiveness, which is beneficial to the Group.

The Directors (including the INEDs) are of the opinion that the proposed annual caps are fair and reasonable and that the transactions contemplated under the CCT Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the CCT Agreements are fair and reasonable and in the interest of the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Gao Dekang (the Chairman and president of the Company) is a substantial Shareholder beneficially interested in approximately 70.40% of the Company's issued share capital as at the date of this announcement. For so long as Mr. Gao Dekang remains a substantial Shareholder, transactions between the Group and the Parent Group will 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 each of the CCT Agreements and the annual cap, are expected to be more than 0.1% and less than 5%. Accordingly, the transactions contemplated under each of the CCT Agreements will only be subject to the reporting, announcement and annual review requirements under the Chapter 14A of the Listing Rules.

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 renewal of the transactions under the CCT Agreements and their respective annual caps.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CCT Agreements”	collectively, the Framework Integrated Service Agreement and the Lease Agreements
“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
“Framework Integrated Service Agreement”	the framework integrated service agreement entered into between the Company and Mr. Gao Dekang dated September 15, 2007 pursuant to which the Parent Group agrees to provide various ancillary services to the Group, which was last renewed in March 22, 2019
“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 People’s Republic of China
“INEDs”	the independent non-executive Directors
“Lease Agreements”	collectively, the Property Lease Agreement and the Supplemental Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the CCT Agreements that are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules
“Parent Group”	Mr. Gao Dekang and his associates, other than members of the Group
“PRC”	the People’s Republic of China
“Property Lease Agreement”	the property lease agreement entered into between the Company and Mr. Gao Dekang dated September 15, 2007 pursuant to which the Parent Group agreed to lease certain properties to the Group, as supplemented by agreements entered into between Mr. Gao Dekang and the Company on March 11, 2010, April 22, 2013, April 6, 2016 and March 22, 2019 pursuant to which the list of premises and the annual rental as contained in the Property Lease Agreement was revised
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Lease Agreement”	an agreement supplemental to the Property Lease Agreement entered into between the Company and Mr. Gao Dekang dated April 22, 2013 pursuant to which the Parent Group agreed to lease additional properties to the Group from time to time for a term of not more than three years from the date of the Supplemental Lease Agreement or its subsequent renewal date
“%”	per cent

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

Hong Kong, December 20, 2021

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.