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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated March 11, 2010, January 9, 2012, April 22, 2013 and March 23, 2016 in respect of, among other things, the Framework Integrated Service Agreement which will soon expire on September 14, 2019 and the Supplemental Lease Agreement which will soon expire on April 21, 2019 (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 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, 2022 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 are more than 0.1% and less than 5% on an annual basis.

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 includes 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 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, 2019 and to serve the notice to the Parent Group no later than June 14, 2019.

Set out below is the aggregate service fee paid under the Framework Integrated Service Agreement by the Group to the Parent Group for each of the two years ended March 31, 2017 and 2018 and the period from April 1, 2018 to February 28, 2019 together with the historical annual caps:

Year ended March 31				Eleven months ended	Year ending
2017		2018		February 28,	March 31,
(RMB)		(RMB)		2019	2019
(Audited)		(Audited)		(Unaudited)	(RMB)
Actual amounts	Historical cap	Actual amounts	Historical cap	Actual amounts	Historical cap
4,553,000	15,000,000	7,174,000	17,000,000	7,488,000	19,000,000

The proposed annual caps under the Framework Integrated Service Agreement for each of the three years ending 31 March, 2022 are set out below:

	For the year ending March 31,		
	2020	2021	2022
	RMB	RMB	RMB
Proposed annual caps	18,000,000	20,000,000	22,000,000

The proposed annual caps for each of the three years ending March 31, 2022 have been determined with reference to (i) the historical services fee paid under the Framework Integrated Service Agreement; (ii) the extent of utilization of the historical annual caps for the three years ending March 31, 2019 as disclosed above; (iii) the expected normal annual increase in the utilization of the property management services (including utilities, i.e. electricity, water, repair and maintenance) as a result of the expansion of the properties to be covered in the PRC occupied by the Group; and (iv) the expected normal annual increase in the utilization of the accommodation and dining services from Changshu Bosideng Hotel Co. Ltd..

The Directors (including the INEDs) have confirmed that the service fees payable by the Group to the Parent Group are determined by 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 or products provided in the vicinity or the market price for similar services or products 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 or products 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.

(2) Lease Agreements

Pursuant to the Property Lease Agreement, as at February 28, 2019, the Parent Group has leased eleven properties with a total area of approximately 149,470 square meters to the Group mainly as the Group's regional offices, warehouses, logistics centres and showrooms.

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 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 from April 22, 2016 (or from its subsequent renewal date). The new leases to be entered into under the Supplemental Lease Agreement shall, subject to compliance by the Group 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. 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 leases (existing and new) entered into pursuant to the Lease Agreements:

Lease number	Approximate annual rental payable for the year ending March 31, 2020 RMB (million)	Approximate size of the property (square meter)	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.	0.20	1,309	Jiangsu	Warehouse
5.	0.68	4,558	Jiangsu	Warehouse
6.	0.52	3,460	Jiangsu	Office
7.	0.52	2,746	Jiangsu	Warehouse
8.	0.41	2,500	Jiangsu	Warehouse
9.	2.50	26,271	Jiangsu	Warehouse and logistics
10.	5.64	5,027	Shanghai	Office
11.	7.36	72,000	Jiangsu	Logistics
12.*	7.15	120,000	Jiangsu	Logistics
13.**	1.75	20,000	Jiangsu	Warehouse

* new lease contemplated under the Supplemental Agreement with a term of three years from September 1, 2019.

** new lease contemplated under the Supplemental Agreement with a term of three years from April 1, 2019.

Set out below is the aggregate rental paid by the Group to the Parent Group for each of the two years ended March 31, 2017 and 2018 and the period from April 1, 2018 to February 28, 2019 together with the historical annual caps:

Year ended March 31				Eleven months ended February 28, 2019	Year ending March 31, 2019
2017		2018		2019	2019
<i>(RMB)</i>		<i>(RMB)</i>		<i>(RMB)</i>	<i>(RMB)</i>
<i>(Audited)</i>		<i>(Audited)</i>		<i>(Unaudited)</i>	
Actual amounts	Historical cap	Actual amounts	Historical cap	Actual amounts	Historical cap
16,918,000	30,000,000	12,780,000	33,000,000	18,278,000	36,000,000

The proposed annual caps under the Lease Agreements for each of the three years ending March 31, 2022 are set out below:

	For the year ending March 31,		
	2020	2021	2022
	RMB	RMB	RMB
Proposed annual caps	40,000,000	50,000,000	60,000,000

The proposed annual caps under the Lease Agreements for each of the three years ending March 31, 2022 have been estimated with reference to (i) the prevailing market rental for similar properties situated around premises under the leases set out above; (ii) the expected increase of rental in the regions in which the Group leases properties from the Parent Group; and (iii) the expected increase in the number of additional premises to be leased to the Group for a term of not more than 3 years as well as the leased areas under the renewed Supplemental Lease Agreement; in particular, the Group aims to increase its construction designed for further strengthening its core capacities in logistics and supply chain, so as to enhance the efficiency in supply chain management. The Group also plans to further lease the newly built smart delivery centre in Jiangsu from the Parent Group in FY2019/20 to meet the Group’s increasing demand for logistics and its warehouse capacity and to enhance the operational and management efficiency by consolidating some of its logistics centres located throughout the PRC to the said newly built smart delivery centre in Jiangsu. It is also expected that the areas to be leased by the Group will increase by approximately 94% in FY2019/20 when compared with those in FY2018/19.

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 a 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.

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

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

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 Chief Executive Officer of the Company) is a substantial Shareholder beneficially interested in approximately 71.65% 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, are expected to be more than 0.1% and less than 5% on an annual basis. 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 new 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 the 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 April 2016
“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 and April 6, 2016 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 6, 2016 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, March 22, 2019

As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Ms. Huang Qiaolian, Mr. Mak Yun Kuen, 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.