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 TRANSACTION RENEWAL OF THE FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

References are made to the announcement of the Company dated December 20, 2021 and the circular of the Company dated March 9, 2022 in respect of, among other things, the Existing Agreement, which was entered into between the Company and the Parent Group relating to the manufacturing outsourcing and agency arrangement.

RENEWAL OF THE CONTINUING CONNECTED TRANSACTION

As the Existing Agreement will expire on September 14, 2025, on January 17, 2025, the Board resolved to propose to the Independent Shareholders to renew the transactions contemplated under the Existing Agreement by entering into the New Agreement and to obtain the proposed annual caps for the transactions contemplated thereunder for the three years ending March 31, 2028 in order to comply with the Listing Rules.

LISTING RULES IMPLICATIONS

The transactions contemplated under the New Agreement will be subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements as the applicable percentage ratios under the Listing Rules in respect of the largest proposed annual cap are expected to be more than 5% and the maximum annual consideration is more than HKD10 million.

A circular containing, among others, further details of the transactions contemplated under the New Agreement, 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 March 7, 2025.

FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

Scope

Pursuant to the New Agreement, the Company has agreed to outsource its manufacturing process of down apparel, original equipment manufacturing ("**OEM**") products and/or down related materials to the Parent Group on a non-exclusive basis, which currently includes the Manufacturing Companies.

Under the New Agreement, the Parent Group provides labor, factories, premises, necessary equipment, water and electricity for the processing of down apparel products (including semi-finished and finished products), OEM products and 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 branded down apparel business and 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 in this respect and the raw materials procured are used solely for the manufacturing of the Group's branded down apparel products and 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 New Agreement during the term thereof.

Fees

Fees payable under the New Agreement shall be paid by the Group within 90 days after the completion of processing of each batch of down apparel products, OEM products and/or 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 labor costs, rental of similar premises and utilities expenses. The Group is also able to have access to/request for information relating to monthly salaries, rental and 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, OEM products and/or down related materials.

After determining the costs to be incurred for the relevant batch of down apparel processed products, OEM products and/or down related materials relating to the processing of down apparel 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 and payment terms) at a fixed price (being the Estimated Costs) or any lower price they can offer.

The non-exclusive arrangement under the New Agreement allows the Group to appoint other outsourcing manufacturers for the processing of down apparel products, OEM products and/or down related materials if the terms offered by the Parent Group are not the most favorable 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 such other manufacturers for the processing of down apparel products, OEM products and/or down related materials.

The fees payable under the New Agreement shall be funded by the Group's internal resources.

Term

The Existing Agreement has a term of three years from September 15, 2022, which will soon expire on September 14, 2025. Thus, the Company entered into the New Agreement on January 17, 2025 with a term of three years from September 15, 2025.

Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the New Agreement is 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 term.

Historical figures and proposed annual caps

Set out below are the aggregate fees paid under the Existing Agreement by the Group to the Parent Group for each of the two years ended March 31, 2024 and the nine-month period from April 1, 2024 to December 31, 2024 together with the historical annual caps:

Year ended March 31				**Nine months ended December 31,**	**Year ending March 31,**
2023		**2024**		**2024**	**2025**
RMB (million)		*RMB (million)*		*RMB (million)*	*RMB (million)*
Actual amounts (Audited)	Historical cap	Actual amounts (Audited)	Historical cap	Actual amounts (Unaudited)	Historical cap
1,519.3	2,010.0	1,648.5	2,460.0	2,011.4	3,000.0

The proposed annual caps for each of the three years ending March 31, 2028, respectively, are set out below:

	For the year ending March 31,		
	2026	**2027**	**2028**
	RMB (million)	*RMB (million)*	*RMB (million)*
Proposed annual caps	3,440.0	4,310.0	5,440.0

The proposed annual caps set out above are determined based on the following:

(a) the historical figures of the relevant transactions;

(b) the Group has adhered to the strategic position of "focusing on principal business and key brands" in the last six financial years and has gained widespread recognition and favor from the consumer market, and has achieved constant and stable growth with high-quality. Due to the increase in market demand, the volume of down apparel to be manufactured and processed by the Parent Group is expected to increase accordingly for each of the three years ending March 31, 2028;

(c) the Group continues to adopt strict craftsmanship improvement, quality improvement and business refinement strategies, and expects an increase in the processing cost per unit caused by the increase in production and processing expenses such as labor costs;

(d) the expected increase in prices for similar services from independent third party contract manufacturers for the three years ending March 31, 2028 mainly due to higher manufacturing fees driven by factors such as rising labor costs, which will lead to higher Estimated Costs;

(e) the expected increase in volume of raw materials for the Group's branded down apparel business and OEM management business to be directly procured by the Parent Group for the three years ending March 31, 2028;

(f) with the Group's continuous pursuit of product quality and the increase in the overall industry prices of raw materials (such as down and fabrics), the cost of raw materials is expected to increase; and

(g) the inclusion of a buffer of around 10% for the estimated amount of the services required by the Group under the New Agreement 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 New Agreement.

Such projection is assumed solely for determining the proposed 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.

The INEDs and the auditor of the Company will on a regular basis be provided with (i) the New Agreement; (ii) agreements entered into between the Group and independent third parties for the processing of the same type of down apparel products, OEM products and/or down related materials; and (iii) fee quotations provided by independent third parties for the processing of the same type of down apparel products, OEM products and/or 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 New Agreement are conducted on normal commercial terms or better. The auditor of the Company will review and confirm the transactions contemplated under the New Agreement are conducted in accordance with the terms of the New Agreement.

On this basis, the Directors consider that the methods and procedures adopted by the Group can ensure that the transactions contemplated under the New Agreement 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 RENEWAL OF THE CONTINUING CONNECTED TRANSACTION

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

The entering into of the New Agreement will enable the Group to continue to use the more flexible manufacturing services offered by the Parent Group for down apparel products, OEM products and 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 factories of the Parent Group align with the Group's requirements to a high degree in terms of quality assurance, process innovation, and high-quality quick responses, based on its successful automation transformation in the past few years, in particular, with high-quality factory management and improvement of factory efficiency, while ensuring production capacity, which also strengthens its cost advantage.

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 proposed annual caps are fair and reasonable and that the transactions contemplated under the New Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the New Agreement (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Gao Dekang is a controlling Shareholder beneficially interested in approximately 60.60% of the Company's total shares in issue as at the date of this announcement, thus transactions between the Group and the Parent Group (including the transactions contemplated under the New Agreement) 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 New Agreement in respect of the largest proposed annual cap are expected to be more than 5% and the maximum annual consideration is more than HKD10 million. Accordingly, the transactions contemplated under the New Agreement will be subject to reporting, announcement, Independent Shareholders' approval and annual review requirements under 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 New Agreement and the proposed annual caps.

An EGM will be convened to approve the New Agreement (including the proposed annual caps thereunder). The voting at the EGM will be taken by way of poll. 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 New Agreement (including the proposed 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 the New Agreement (including the proposed annual caps thereto). Yu Ming Investment 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 New Agreement, 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 March 7, 2025, 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:

"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"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
"Directors"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held to consider and approve the New Agreement (including the proposed annual caps thereunder)
"Existing Agreement"	the framework manufacturing outsourcing and agency agreement entered into between the Company and Mr. Gao Dekang dated March 3, 2022, pursuant to which the Group agreed to outsource its manufacturing process of down apparel and down related materials to the Parent Group on a non-exclusive basis
"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 "Yu Ming Investment"	Yu Ming Investment Management Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities 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 New Agreement (including the proposed 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 New Agreement
"INEDs"	the independent non-executive Directors
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Manufacturing Companies"	Bosideng Corporation Limited, Jiangsu Xuezhongfei Apparels Manufacturing Co., Ltd., Shandong Rongheng Industrial Co., Ltd. (山東融恒實業有限公司), Jiangsu Kangxin Garment Co., Ltd., Jiangsu Gaobo Intelligent Manufacturing Co., Ltd. (江蘇高博智能製造有限公司) and Jiangsu Suqian Bosideng Apparel Technology Co., Ltd. (江蘇宿遷波司登服裝科技有限公司), all of which are owned or controlled by the Parent Group
"New Agreement"	the framework manufacturing outsourcing and agency agreement entered into between the Company and Mr. Gao Dekang dated January 17, 2025, pursuant to which the Group agrees to outsource its manufacturing process of down apparel and down related materials to the Parent Group on a non-exclusive basis
"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
"Shareholder(s)"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

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

Hong Kong, January 17, 2025

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.