
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Bosideng International Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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 MANUFACTURING
OUTSOURCING AND AGENCY AGREEMENT
AND
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders**



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular.

A notice convening the EGM to be convened and held at 10:00 a.m. on Tuesday, March 29, 2022 at Meeting Room, 21/F Bosideng Main Building, Bosideng Industrial Zone, Changshu City, Jiangsu Province, PRC is set out on pages 43 to 45 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so desire.

March 9, 2022

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DEFINITIONS

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

“Agreement”	the renewed framework manufacturing outsourcing and agency agreement dated March 3, 2022 entered into between the Company and Mr. Gao Dekang for renewal of the existing agreement dated September 15, 2007 (as supplemented by an agreement dated May 27, 2019) relating to the outsourcing of the Group’s manufacturing process of down apparel and down related materials to the Parent Group on a non-exclusive basis
“Announcement”	the announcement made by the Company dated December 20, 2021
“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 Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at 10:00 a.m. on Tuesday, March 29, 2022 to consider and approve the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated 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

DEFINITIONS

“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 SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Gao Dekang and his associates and any other person who has a material interest in the Agreement
“INEDs”	the independent non-executive Directors, namely Mr. Dong Binggen, Mr. Wang Yao and Dr. Ngai Wai Fung
“Latest Practicable Date”	March 4, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“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 Kangbo Industry Co., Ltd., Jiangsu Bosideng Clothing Co., Ltd., Jiangsu Bosideng Industrial Development Co., Ltd., Jiangsu Kangxin Garment Co., Ltd., Gaoyou Cairong Down Apparel Co., Ltd., (高郵採絨羽絨有限公司), Jiangsu Suqian Bosideng Apparel Technology Co., Ltd. (江蘇宿遷波司登服裝科技有限公司) and Jiangsu Gaobo Intelligent Manufacturing Co., Ltd. (江蘇高博智能製造有限公司), all of which are (i) owned or controlled by Mr. Gao Dekang’s family; and (ii) principally engaged in manufacturing activities
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules
“Parent Group”	Mr. Gao Dekang and his associates, other than members of the Group
“PRC”	the People’s Republic of China

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Shares”	ordinary shares of USD0.00001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Gao Dekang (*Chairman and
Chief Executive Officer of the Company*)
Ms. Mei Dong
Ms. Huang Qiaolian
Mr. Rui Jinsong
Mr. Gao Xiaodong

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-Executive Directors:

Dr. Ngai Wai Fung
Mr. Dong Binggen
Mr. Wang Yao

Place of Business in Hong Kong:

Unit 5709, 57/F, The Center
99 Queen's Road Central
Central, Hong Kong

March 9, 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FRAMEWORK MANUFACTURING
OUTSOURCING AND AGENCY AGREEMENT**

INTRODUCTION

Reference is made to the Announcement in respect of the renewal of the transactions contemplated under the Agreement and the proposed annual caps thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the proposed annual caps; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder as well as voting at the EGM; and (iv) the notice of the EGM to the Shareholders.

LETTER FROM THE BOARD

FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

Scope of the Agreement

Pursuant to the 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 Agreement, the Parent Group provides labour, 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 OEM management business from independent third party suppliers 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 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 Agreement during the term thereof.

Fees

The processing fee shall be payable 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 and the receipt of the VAT invoice. 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 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 processed 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 of the Parent Group and the applicable mark-up rate ranging from 5% to 10% (depending on the location, quantity and the turnaround time of the processing services required) (the “**Estimated Cost(s)**”), 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 Cost) or any lower price they can offer.

LETTER FROM THE BOARD

The non-exclusive arrangement under the 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 favourable to the Group. Should the terms offered by other outsourcing 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 outsourcing manufacturers for the processing of down apparel products, OEM products and/or down related materials.

Historical Figures

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

Year ended March 31				Eight-month period ended November 30,	Year ending March 31,
2020		2021		2021	2022
<i>RMB (million)</i>		<i>RMB (million)</i>		<i>RMB (million)</i>	<i>RMB (million)</i>
Actual	Historical	Actual	Historical	Actual	Historical
amounts	cap	amounts	cap	amounts	cap
(Audited)		(Audited)		(Unaudited)	
1,331.8	1,770.0	1,028.2	2,470.0	1,068.0	3,270.0

Term of the Agreement

The Agreement is a renewed version of the existing agreement dated September 15, 2007 (as supplemented by an agreement dated May 27, 2019) which 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, 2022.

Subject to the approval by the Independent Shareholders at the EGM of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder, the Agreement has an initial term of three years from September 15, 2022. Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the Agreement is also 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.

LETTER FROM THE BOARD

Proposed annual caps

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

	For the year ending March 31,		
	2023	2024	2025
	RMB	RMB	RMB
	(million)	(million)	(million)
Proposed annual caps	2,010.0	2,460.0	3,000.0

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 the key brand” in the last three financial years and has gained widespread recognition and favour from the consumer market; and the Group has launched the three-year strategic plan of being “the world leading expert in down apparel” in FY2021/22. Taking in account that (i) the expected volume of down apparel to be manufactured and processed by the Parent Group for each of the three years ending March 31, 2025 represents annual growth rates ranging from approximately 17% to 19% and (ii) the expected volume of down related materials to be processed by the Parent Group for each of the three years ending March 31, 2025 represents an annual growth rate of approximately 20%;
- (c) the Group continues to adopt strict craftsmanship improvement, quality improvement and business refinement strategies, and expects an approximate 10% increase in the processing cost per unit caused by the increase in production and processing expenses such as labour costs;
- (d) the expected increase in prices for the receipt of similar services from third party contract manufacturers for the three years ending March 31, 2025, in particular, the increase of manufacturing fees as a result of higher labour costs;
- (e) 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 slightly; and
- (f) the inclusion of a buffer of around 10% for the estimated amount of the services required by the Group under the 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 Agreement.

LETTER FROM THE BOARD

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.

Implementation agreements

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 Agreement during the term thereof. Each implementation agreement will set out the details of the manufacturing services required, and the specifications, quantities, prices and other relevant terms thereof. Any such implementation agreement shall be within the ambit of the Agreement and the relevant annual caps in accordance with the Listing Rules.

Internal control and mechanism to regulate the transactions contemplated under the Agreement

To ensure that the transactions contemplated under the Agreement are carried out in accordance with the regulatory guidelines and terms as disclosed herein, the Company has in place the following internal control procedures and mechanism for each and every transaction:

1. a detailed cost calculation will be carried out through the Company's large scale computerized automated system with pre-set technology parameters and cost estimation formulas with reference to the cost of materials, products and labour, etc. Costs to be incurred for the relevant batch of down apparel products by the Parent Group will be determined by a number of internal departments of the Company; and
2. after the Estimated Cost has been determined, the Company will then invite at least two to three 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 Cost) or any lower price they can offer. Such quotations will be reviewed and evaluated from both technical and commercial perspectives by qualified personnel of the Group (those personnel who are independent from the Parent Group and familiar with information on processing fees and costs of raw materials and have a good understanding of the suppliers, in particular the general manager of the cost control management centre of the Company) and compared against the Estimated Cost quoted by the Group, so as to ensure the processing services provided by the Parent Group will only be used if the price and terms offered are competitive and comparable to those offered by independent third parties.

LETTER FROM THE BOARD

The Group will conduct semiannual checks to ensure that the actual prices for the transactions contemplated under the Agreement are on normal commercial terms and on terms no less favourable to the Group than those available from independent third parties; and to review and assess whether the processing services have been provided in accordance with regulatory guidelines and the terms of the Agreement.

In addition, the INEDs and the auditor of the Company will on a semiannually basis be provided with the (i) 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 including to consider whether the terms of the Agreement are no less favorable to the Group than those available from independent third parties. 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 Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Agreement are conducted in accordance with the terms of the Agreement.

Based on the above, the Directors, including the INEDs, are of the view that the methods and procedures adopted by the Group to govern transactions contemplated under the Agreement could ensure that the pricing mechanism will be strictly adhered to and the transactions contemplated under the Agreement will be conducted under 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 AGREEMENT

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, OEM products and non-down apparel products.

The renewal of the 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.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Mr. Gao Dekang (the Chairman and Chief Executive Officer of the Company) is the substantial Shareholder. Mr. Gao Dekang and his associates together are interested in an aggregate of 7,658,074,140 Shares, representing approximately 70.35% of the total issued Shares as at the Latest Practicable Date. For so long as Mr. Gao Dekang remains a substantial Shareholder, transactions between the Group and the Parent Group (including the transactions contemplated under the 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 Agreement 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 Agreement are required to be subject to Independent Shareholders' approval, reporting, announcement 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 and have or are considered to have a material interest in the transactions contemplated under the Agreement, have abstained from voting on the board resolution approving the renewal of the Agreement (including the proposed annual caps thereunder).

The ordinary resolution to be proposed at the EGM to approve the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder will be determined by way of poll by the Shareholders. Mr. Gao Dekang and his associates (namely New Surplus International Investment Limited (3,844,862,385 Shares (35.32%)), Kong Bo Investment Limited (2,936,311,202 Shares (26.97%)), Kong Bo Development Limited (262,479,999 Shares (2.41%)), Honway Enterprises Limited (611,656,857 Shares (5.62%)), all of which are investment holding companies, and Ms. Mei Dong (2,763,697 Shares (0.03%))) together holding an aggregate of 7,658,074,140 Shares representing approximately 70.35% of the voting rights in the Company's general meeting as at the Latest Practicable Date, will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the renewal of the Agreement (including the proposed annual caps thereunder).

EGM

General

A notice convening the EGM to be convened and held with a combination of (a) a physical meeting at Meeting Room, 21/F Bosideng Main Building, Bosideng Industrial Zone, Changshu City, Jiangsu Province, PRC; and (b) a virtual meeting online, at 10:00 a.m. on Tuesday, March 29, 2022 for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder is set out in this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Alternatively, the form of proxy can be downloaded from the “Investor Relations” section of the Company’s website at company.bosideng.com or the website of the Stock Exchange at www.hkexnews.hk. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your bank or broker or custodian (as the case may be) to assist you in the appointment of a proxy. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The register of members of the Company will be closed from Thursday, March 24, 2022 to Tuesday, March 29, 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, March 23, 2022.

Hybrid EGM

The Company will conduct a hybrid EGM using Computershare e-Meeting System, which allows Shareholders to participate the EGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the EGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

Although Shareholders are welcome to attend the EGM in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via the online option in view of the current development of COVID-19. The Company may also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the EGM in person, including temperature screening, requiring provision of health code, itinerary code, nucleic acid test results within 48 hours and/or other supporting documents on demand of the Company, requiring all participants to wear surgical face masks, plus safe distancing measures for queue management and seating at the meeting venue.

For online voting at the EGM, Shareholders can refer to the enclosed letters and the Online Meeting User Guide (by visiting the following hyperlink at <http://meetings.computershare.com/MSXX4K6>) for details. If you have any queries on the above, please contact the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, via their hotline at (852) 2862 8555 from 9:00 a.m. to 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

LETTER FROM THE BOARD

How to vote at the EGM

Shareholders who wish to attend the EGM and exercise their voting rights can do so in one of the following ways:

- (1) attend the EGM in person and vote at the EGM venue; OR
- (2) attend the EGM via Computershare e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
- (3) appoint the Chairman of the EGM or other persons as your proxy to vote on your behalf. Your proxy's authority and instruction will be revoked if you attend and vote in person at the EGM or via the Computershare e-Meeting System.

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the EGM, vote and submit questions online. In this regard, they should consult directly with their bank, broker or custodian (as the case may be) for the necessary arrangements.

For corporate Shareholders who wish to attend the EGM and vote online, please contact the Company's Hong Kong branch share registrar via their hotline at (852) 2862 8555 on or before March 23, 2022 for arrangement.

RECOMMENDATION

An Independent Board Committee comprising all INEDs has been set up to advise the Independent Shareholders in relation to the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder.

The Directors (including the INEDs, having received and considered the advice from the Independent Financial Adviser) are of the opinion that the terms of the Agreement (including the proposed annual caps thereunder) are fair and reasonable and that the renewal of the Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms or better, so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of EGM enclosed to this circular.

LETTER FROM THE BOARD

GENERAL

Your attention is also drawn to the “Letter from the Independent Board Committee”, the “Letter from Gram Capital” and the additional information set out in the appendix to this circular and the notice of EGM.

Yours faithfully,
For and on behalf of the Board
Bosideng International Holdings Limited
Gao Dekang
Chairman

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)

March 9, 2022

To the Shareholders

Dear Shareholder,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FRAMEWORK MANUFACTURING
OUTSOURCING AND AGENCY AGREEMENT**

We refer to the circular dated March 9, 2022 issued by the Company to its Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We, being the INEDs, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder, the details of which are set out in the “Letter from the Board” contained in the Circular. Gram Capital has been appointed to advise us, the Independent Board Committee, and the Independent Shareholders, in relation to the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Gram Capital” to us, the Independent Board Committee, and the Independent Shareholders, containing its advice in respect of the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder, as set out in the Circular.

Having taken into account the principal factors and reasons considered by Gram Capital and its conclusion and advice, we consider that the renewal of the Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms or better, and that the terms of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the renewal of the Agreement (including the proposed annual caps thereunder) and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Ngai Wai Fung
Dong Binggen
Wang Yao
Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

March 9, 2022

*To: The independent board committee and the independent shareholders
of Bosideng International Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the renewal of the transactions contemplated under the Agreement (including the proposed annual caps), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated March 9, 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company and Mr. Gao Dekang (the Chairman, Chief Executive Officer and substantial shareholder of the Company) entered into the existing agreement on September 15, 2007, 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.

With reference to the Board Letter, the aforesaid existing 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, 2022. The Agreement is a renewed version of the aforesaid existing agreement. Subject to the approval by the Independent Shareholders at the EGM of the Agreement (including the proposed annual caps), the Agreement has an initial term of three years from September 15, 2022. Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the 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 initial term.

LETTER FROM GRAM CAPITAL

According to the Board Letter, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to Independent Shareholders' approval, reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Ngai Wai Fung, Mr. Dong Binggen and Mr. Wang Yao (all being INEDs) has been established to advise the Independent Shareholders on (i) whether the terms of the renewal of the Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the renewal of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the renewal of the Agreement (including the proposed annual caps) and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of a connected transaction of the Company as set out in the Company's announcement dated October 23, 2020. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid past engagement, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were

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reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Management, which have been provided to us. Our opinion is based on the Management's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the renewal of the Agreement (including the proposed annual caps) and the transactions contemplated thereunder. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Gao Dekang, the Parent Group or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the renewal of the Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the renewal of the Agreement (including the proposed annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the renewal of the Agreement

Information on the Group

With reference to the Board Letter, 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 (“OEM”) products and non-down apparel products.

Set out below are the audited financial information of the Group for the two years ended March 31, 2021 as extracted from the Group’s annual report for the year ended March 31, 2021 (the “2020/21 Annual Report”):

	For the year ended March 31, 2021 (“FY2020/21”) RMB’000 (audited)	For the year ended March 31, 2020 (“FY2019/20”) RMB’000 (audited)	Year-on- year change %
Revenue	13,516,513	12,190,535	10.88
– Down apparels	10,889,106	9,512,730	14.47
– OEM management	1,536,083	1,611,354	(4.67)
– Ladieswear apparels	946,627	982,661	(3.67)
– Diversified apparels	144,697	83,790	72.69
Gross profit	7,924,266	6,708,646	18.12
Profit attributable to equity shareholders of the Company	1,709,566	1,203,184	42.09

As illustrated in the above table, the Group’s revenue amounted to approximately RMB13.52 billion for FY2020/21, representing an increase of approximately 10.88% as compared to that for FY2019/20. The increase in the Group’s revenue was mainly attributed from the increase in revenue from the down apparels business. The Group’s down apparels business and OEM management business remained the two largest revenue contributors of the Group with aggregated revenue accounted for approximately 91.25% and 91.93% of the Group’s total revenue for FY2019/20 and FY2020/21 respectively.

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The Group's gross profit for FY2020/21 increased by approximately 18.12% and gross profit margin increased by approximately 3.60 percentage points as compared to those for FY2019/20. With reference to the 2020/21 Annual Report, after the outbreak of the COVID-19 pandemic, the Group enhanced cost control of raw materials. In addition, with the continuous improvement of the Company's brand potential in FY2019/20, consumers are more inclined to purchase high-unit price products, resulting in a corresponding increase in the average selling price of branded down apparel products; at the same time, the significantly increased proportion of sales from the Group's self-operated retail stores made a relatively significant contribution to the improvement of gross profit margin.

The profit attributable to equity shareholders of the Company in FY2020/21 also increased by approximately 42.09% as compared to that of FY2019/20. With reference to the 2020/21 Annual Report, such increase was mainly due to increase in the Group's gross profit as partially offset by increase in selling and distribution expenses and administrative expenses.

Set out below are the unaudited financial information of the Group for the six months ended September 30, 2021 (with comparative figures) as extracted from the Group's interim report for the six months ended September 30, 2021 (the "2021/22 Interim Report"):

	For the six months ended September 30, 2021 ("1H2021/22") RMB'000 (unaudited)	For the six months ended September 30, 2020 ("1H2020/21") RMB'000 (unaudited)	Year-on- year change %
Revenue	5,389,533	4,661,116	15.63
– Down apparels	3,473,353	2,988,665	16.22
– OEM management	1,428,008	1,228,688	16.22
– Ladieswear apparels	416,382	412,446	0.95
– Diversified apparels	71,790	31,317	129.24
Gross profit	2,720,777	2,227,342	22.15
Profit attributable to equity shareholders of the Company	638,474	486,031	31.36

The Group's revenue amounted to approximately RMB5.39 billion for 1H2021/22, representing an increase of approximately 15.63% as compared to the corresponding period of FY2020/21. The increase in the Group's revenue was mainly attributed from the increase in revenue from down apparels business and revenue from OEM management business, which remained the two largest revenue contributors of the Group with aggregated revenue accounted for approximately 90.94% of the Group's total revenue for 1H2021/22.

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The Group's gross profit for 1H2021/22 increased by approximately 22.15% and gross profit margin increased by approximately 2.69 percentage points as compared to those for the corresponding period of FY2020/21. With reference to the 2021/22 Interim Report, such increases were mainly attributed from the Group's down apparels business and OEM management business.

The profit attributable to equity shareholders of the Company in 1H2021/22 also increased by approximately 31.36% as compared to the corresponding period of FY2020/21. With reference to the 2021/22 Interim Report, such increase was mainly due to (i) increase in the Group's gross profit; (ii) increase in other income; (iii) turnaround from net finance costs to net finance income for 1H2021, which were partially off-set by increase in selling and distribution expenses and administrative expenses.

With reference to the 2021/22 Interim Report, the Group continued to focus on its "brands, products, channels and terminals" to carry out systematic construction from all angles. From the perspective of PRC brand development, standing at the new starting point of the "14th Five-year Plan", the Group will have the following business objectives:

- (i) For the down apparel business, while focusing on positioning itself as the "world leading expert in down apparel", the Group will continue to take its customer-value-oriented approach, continue to insist on the "Brand Leadership" development model and continue to use its brand power to lead the products, channels, retail, supply chain and other aspects to work together. At the same time, the Group will take the initiative to strive for online channels through model innovation to stabilize and expand its market share.
- (ii) For the OEM management business, while further expanding the share of down apparel products making use of its advantages in down apparel production, the Group will keep improving its service capabilities by further integrating overseas production resources.
- (iii) For the fashionable ladieswear business, the Group will continue to take advantage of its unique advantages to develop each of its ladieswear brand businesses, and expand synergy among brands through resource sharing among brands. Through the gradual improvement in the product, channel and brand power and other aspects of the ladieswear brands, the Group will find the advantages of each brand under the increasingly fierce competitive environment. The Group will continuously boost the operational and management efficiency of ladieswear business units, to achieve the healthy growth of the ladieswear business.

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Information about Mr. Gao Dekang

With reference to the Board Letter, Mr. Gao Dekang (the Chairman and Chief Executive Officer of the Company) is a substantial Shareholder. Mr. Gao Dekang and his associates (namely New Surplus International Investment Limited (3,844,862,385 Shares (35.32%)), Kong Bo Investment Limited (2,936,311,202 Shares (26.97%)), Kong Bo Development Limited (262,479,999 Shares (2.41%)), Honway Enterprises Limited (611,656,857 Shares (5.62%)), all of which are investment holding companies, and Ms. Mei Dong (2,763,697 Shares (0.03%))) together holding an aggregate of 7,658,074,140 Shares, representing approximately 70.35% of the voting rights in the Company's general meeting as at the Latest Practicable Date.

Reasons for and benefits of the renewal of the Agreement

With reference to the Board Letter the renewal of the Agreement will enable the Group to continue to use the more flexible manufacturing services offered by the Parent Group for its 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.

With reference to the Board Letter, 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 strengthen its cost advantage.

Having considered that:

- (i) the scope of the Agreement covers the Group's branded down apparel business and the OEM management business, being the two largest revenue contributors of the Group with aggregated revenue accounted for approximately 91.25% and 91.93% of the Group's total revenue for FY2019/20 and FY2020/21, respectively;
- (ii) despite the Group's revenue from the OEM management segment decreased by approximately 4.67% for FY2020/21 as compared to that for FY2019/20, the Group's revenue (including the segment revenue of its branded down apparel business) recorded year-on-year increases in FY2019/20 and FY2020/21;
- (iii) the historical transaction amount of the continuing connected transactions under the Agreement (the "CCTs") for FY2019/20 and FY2020/21 accounted for approximately 24.30% and 18.39% of the Group's cost of sales for FY2019/20 and FY2020/21, respectively; and

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- (iv) with reference to the Board Letter, the non-exclusive arrangement under the Agreement allows the Group to appoint other outsourcing manufacturers for the processing of down apparel products, OEM 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 other outsourcing 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 outsourcing manufacturers for the processing of down apparel products, OEM products and/or its down related materials,

it is reasonable for the Company to renew the Agreement for a further term of three years up to September 14, 2025.

In light of the above, we consider that the renewal of the Agreement is conducted under the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

The tables below summarise the major terms of the Agreement:

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

Under the Agreement, the Parent Group provides labour, 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 OEM management business from independent third party suppliers 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 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 Agreement during the term thereof.

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Term: The Agreement is a renewed version of the existing agreement dated September 15, 2007 (as supplemented by an agreement dated May 27, 2019, with an initial term of three years from September 15, 2007 to September 14, 2010 and has been further renewed and extended to September 14, 2022).

Subject to the approval by the Independent Shareholders at the EGM of the Agreement (including the proposed annual caps thereunder), the Agreement has an initial term of three years from September 15, 2022. Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the 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 initial term.

Fees: The processing fee shall be payable 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 and the receipt of the VAT invoice. 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 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, 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 of the Parent Group and the applicable mark-up rate ranging from 5% to 10% (depending on the location, quantity and the turnaround time of the processing services required) (i.e. the Estimated Cost(s)), 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 Cost) or any lower price they can offer.

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With reference to the Board Letter, to ensure that the transactions contemplated under the Agreement are carried out in accordance with the regulatory guidelines and terms as disclosed herein, the Company has in place the following internal control procedures and mechanism for each and every transaction:

1. a detailed cost calculation will be carried out through the Company's large scale computerized automated system with pre-set technology parameters and cost estimation formulas with reference to the cost of materials, products and labour, etc. Costs to be incurred for the relevant batch of down apparel products by the Parent Group will be determined by a number of internal departments of the Company; and
2. after the Estimated Cost has been determined, the Company will then invite at least two to three 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 Cost) or any lower price they can offer. Such quotations will be reviewed and evaluated from both technical and commercial perspectives by qualified personnel of the Group (those personnel who are independent from the Parent Group and familiar with information on processing fees and costs of raw materials and have a good understanding of the suppliers, in particular the general manager of the cost control management centre of the Company) and compared against the Estimated Cost quoted by the Group, so as to ensure the processing services provided by the Parent Group will only be used if the price and terms offered are competitive and comparable to those offered by independent third parties.

The Group will conduct semi-annual checks to ensure that the actual prices for the transactions contemplated under the Agreement are on normal commercial terms and on terms no less favourable to the Group than those available from independent third parties; and to review and assess whether the processing services have been provided in accordance with regulatory guidelines and the terms of the Agreement.

In addition, the INEDs and the auditor of the Company will on a semi-annually basis be provided with the (i) 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 including to consider whether the terms of the Agreement are no less favorable to the Group than those available from independent third parties. 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 Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Agreement are conducted in accordance with the terms of the Agreement.

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For our due diligence purpose, we randomly selected and obtained (a) one set of reference prices of a batch of products under the CCTs (which is also the Estimated Costs of such products) for each of the two years ended March 31, 2021 and for the eight months ended November 30, 2021; and (b) one set of invoices relating to (i) the CCTs executed by the Group and the Parent Group; and (ii) the outsourcing services provided by independent third parties executed by the Group and independent third parties, for each of the two years ended March 31, 2021 and for the eight months ended November 30, 2021. Based on the aforesaid documents as provided by the Company, we noted that the prices charged to the Group by the Parent Group were (i) no less favourable than those offered by independent third parties for similar transactions; and (ii) below the aforementioned reference prices. Nothing came to our attention that caused us to believe that the pricing under the aforementioned documents was not complied with the pricing policy as stated above.

With reference to the 2020/21 Annual Report and as confirmed by the Management, the INEDs have reviewed, among other things, the CCTs for FY2020/21 and confirmed, among other things, that the CCTs were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on better terms to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With reference to the 2020/21 Annual Report and as confirmed by the Management, the Board engaged the Company's auditor to perform certain agreed-upon procedures in respect of the CCTs set out above on a sample basis. The auditor reported their factual findings on the selected samples based on the agreed procedures to the Board and confirmed that, among other things, the CCTs have complied with the requirements under Rule 14A.56 of the Listing Rules.

Having considered our due diligence work as detailed above, we are of the view that the effective implementation of the internal control procedures and mechanism would help to ensure fair pricing of the transactions contemplated under the Agreement.

With reference to the Board Letter, the non-exclusive arrangement under the Agreement also allows the Group to appoint other outsourcing manufacturers for the processing of down apparel products, OEM 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 other outsourcing 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 outsourcing manufacturers for the processing of down apparel products, OEM products and/or its down related materials.

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3. The proposed annual caps

Set out below are the aggregate fees paid for the transactions contemplated under the Agreement by the Group to the Parent Group for each of the three years ending March 31, 2022, together with the historical annual caps:

	For the year ended March 31, 2020 RMB'million	For the year ended March 31, 2021 RMB'million	For the year ending March 31, 2022 RMB'million
Actual amounts	1,331.8	1,028.2	1,068.0 (Note)
Historical annual cap	1,770.0	2,470.0	3,270.0
Utilisation rate (%)	75.24	41.63	Not determined yet
	For the year ending March 31, 2023 RMB'million	For the year ending March 31, 2024 RMB'million	For the year ending March 31, 2025 RMB'million
Proposed annual caps	2,010.0	2,460.0	3,000.0

Note: The figure represents the actual amounts of CCTs under the Agreement for the eight-month period from April 1, 2021 to November 30, 2021.

The proposed annual caps set out above were determined based on the factors as set out under the section headed “Proposed annual caps” of the Board Letter.

As illustrated in the above table, the utilization rate of the historical annual caps for FY2020/21 were only 41.63%. Accordingly, it is reasonable for the Group to significantly reduce the proposed annual cap for the year ending March 31, 2023 (“FY2022/23”).

For our due diligence purpose, we obtained the calculation of the estimated transaction amounts under the Agreement and the proposed annual caps for the three years ending March 31, 2025 (the “**Calculation**”). We understood from the Management that the proposed annual caps were determined with reference to the estimated transaction amounts for the three years ending March 31, 2025 and moderate buffers of around 10% to accommodate any unexpected increase in the transaction volume or unexpected increase in the cost of provision of services. Based on the Calculation, the estimated transaction amounts under the Agreement were formulated based on the (i) expected volume to be manufactured/processed by the Parent Group and unit cost for the Group’s down apparel segment (including down apparel and down related materials); and (ii) estimated transaction amount with the Parent Group for the Group’s OEM management segment.

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We noted from the Calculation that:

- the expected volume of down apparel to be manufactured and processed by the Parent Group for each of the three years ending March 31, 2025 represents annual growth rates range from approximately 17% to 19%;
- the expected volume of down related materials to be processed by the Parent Group for each of the three years ending March 31, 2025 represents an annual growth rate of approximately 20%;
- the unit cost for the manufacturing and processing work for each of the three years ending March 31, 2025 represents an annual growth rate of approximately 10%; and
- the estimated transaction amount with the Parent Group for the Group's OEM business for each of the three years ending March 31, 2025 represents annual growth rates range from approximately 19% to 21%.

Growth rates of the estimated transaction amount

We noted from the Calculation that the estimated transaction amount for FY2021/22 amounted to approximately RMB1,500.5 million, representing (i) an increase of approximately 46% as compared to the actual transaction amount for FY2020/21; and (ii) an increase of approximately 13% as compared to the actual transaction amount for FY2019/20. The estimated transaction amount for each of the three years ending March 31, 2025 represents an annual increase of approximately 21% to 22%.

As advised by the Management, the proposed annual caps were formulated with reference to the growth rate of the actual transaction amount prior to the outbreak of the COVID-19 pandemic, as it reflects the Group's demand for the Parent Group's services under normal operating conditions. As affected by the COVID-19 pandemic, the Group's inventory level as at March 31, 2020 was substantially higher than that as at March 31, 2019, thus the Group mainly focused on utilising its then existing inventories (in particular, finished goods) during FY2020/21, resulting in the decrease in actual transaction amount under the Agreement for FY2020/21 as compared to that for FY2019/20.

Despite the estimated transaction amount for FY2021/22 represents an increase of only 13% as compared to the actual transaction amount for FY2019/20 (pre-pandemic actual amount), the pre-pandemic growth rate (calculated based on the actual transaction amount for FY2019/20 as compared to that for the year ended March 31, 2019) was approximately 20.33%. We noted from the above table that the actual CCTs amount for the eight-month period from April 1, 2021 to November 30, 2021 was approximately RMB1,068.0 million, which exceeded the actual CCTs amount for FY2020/21 and indicated recovery from the impact of COVID-19 pandemic.

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We further noted from the Company's annual report for FY2019/20 that the Group's inventories increased by approximately 41% as at March 31, 2020 as compared to that as at March 31, 2019, and the inventory turnover days increased by 28 days for FY2019/20 as compared to that for the year ended March 31, 2019. With reference to the Company's annual report for FY2019/20 and as advised by the Management, such increase was mainly due to the increase in finished goods as a result of the outbreak of COVID-19 pandemic that affected the Group's sales from the end of January 2020 to the end of March 2020. As aforementioned, the Group thereby mainly focused on utilising its then existing inventories (in particular, finished goods) during FY2020/21, resulting in the decrease in actual transaction amount under the Agreement for FY2020/21.

We also noted from the Company's annual reports for the latest five financial years that the revenue from down apparels business recorded year-on-year increases of approximately 15%, 23% and 36% for each of the three years ended March 31, 2019 respectively, which formed an increasing trend of revenue growth, whereas such revenue growth for FY2020/21 was only approximately 14% (being lower than the aforementioned pre-pandemic growth rates). Furthermore, the Group's revenue from down apparels business also recorded a year-on-year increase of approximately 16% for 1H2021/22 as compared to that for 1H2020/21.

Given the above, in particular (i) the decrease in actual transaction amount under the Agreement for FY2020/21 was primarily due to the outbreak of the COVID-19 pandemic; (ii) the revenue growth of the Group's down apparels business formed an increasing trend during the three years ended March 31, 2019, which indicated an increasing demand for the Group's down apparels prior to the COVID-19 pandemic; and (iii) the revenue growth of the Group's down apparels business for 1H2021/22 recovered to approximately 16% (on year-on-year basis) and the actual CCTs amount for the eight-month period from April 1, 2021 to November 30, 2021 exceeded the actual CCTs amount for FY2020/21, which indicated recovery from the impact of COVID-19 pandemic, we consider that it is reasonable for the Company to formulate the proposed annual caps with reference to the pre-pandemic growth rate.

The expected growth in the volume of the manufacturing work and processing work for the Group's down apparel segment (including down apparel and down related materials), and the expected growth of the estimated transaction amount with the Parent Group for the Group's OEM business, are in line with the aforesaid pre-pandemic growth rate of approximately 20%.

Unit cost growth led by increase in labour cost

As advised by the Management, manufacturing and processing work is labor-intensive and labour costs contribute to a significant proportion of the total production costs of down apparel and down related materials.

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According to Wind Financial Terminal, the table below shows the average annual salary of each employee in Jiangsu Province of the PRC (where most of the Parent Group's production bases are located) between 2016 and 2020.

	2016	2017	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Average annual salary of each employee in Jiangsu Province of the PRC	71,574	78,267	84,688	96,527	103,621
<i>Annual growth rate</i>		9.35%	8.20%	13.98%	7.35%
<i>Compound annual growth rate</i>					9.69%

Source: Wind Financial Terminal

As shown in the table above, the average annual salary of each employee in Jiangsu Province of the PRC represented year-on-year increases during each of the year 2017, 2018, 2019 and 2020. The average annual salary of each employee in Jiangsu Province of the PRC increased from RMB71,574 for 2016 to RMB103,621 for 2020, representing a compound annual growth rate of approximately 9.69%.

Since the labour cost is a key driver of the unit costs, the unit costs are expected to move in line with the labour cost.

Buffer

We noted from the Calculation that a buffer of around 10% for the estimated transaction amounts under the Agreement was applied. Having considered (i) that unexpected circumstances may take place during the three years ending March 31, 2025; and (ii) the buffer would provide flexibility in the event that the actual demand was more than estimated; we consider that the buffer to be acceptable.

We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong.

In light of the above, we consider that the proposed annual caps for the three years ending March 31, 2025 to be fair and reasonable.

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Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to March 31, 2025, and they do not represent forecasts of costs arising from the CCTs. Consequently, we express no opinion as to how closely the actual cost arising from the CCTs will correspond with the proposed annual caps.

Having considered the above, including the principal terms of the Agreement and the proposed annual caps, we are of the view that the terms of the renewal of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

4. Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCTs must be restricted by the proposed annual caps; (ii) the terms of the Agreement for the CCTs (together with the proposed annual caps) must be reviewed by INEDs annually; and (iii) details of the INEDs' annual review on the terms of the Agreement for the CCTs (together with the proposed annual caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the proposed annual caps. In the event that the total amounts of the CCTs are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Agreement for the CCTs, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the renewal of the Agreement (including the proposed annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the renewal of the Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the renewal of the Agreement (including the corresponding proposed annual caps) and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

(A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or were deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company (Note 1)
Mr. Gao Dekang	Controlled corporation (Note 2)	262,479,999	2.41%
	Deemed interest (Note 3)	2,763,697	0.03%
	Founder of discretionary trust (Note 4)	3,844,862,385	35.32%
	Founder of discretionary trust (Note 5)	611,656,857	5.62%
	Founder of discretionary trust (Note 6)	2,936,311,202	26.97%

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company (Note 1)
Ms. Mei Dong	Deemed interest (Note 2)	262,479,999	2.41%
	Beneficial owner (Note 3)	2,763,697	0.03%
	Beneficiary of discretionary trust (Note 4)	3,844,862,385	35.32%
	Beneficiary of discretionary trust (Note 5)	611,656,857	5.62%
	Beneficiary of discretionary trust (Note 6)	2,936,311,202	26.97%
Ms. Huang Qiaolian	Beneficial owner (Note 7)	27,763,697	0.26%
Mr. Rui Jinsong	Beneficial owner (Note 7)	78,034,242	0.72%
Mr. Gao Xiaodong	Beneficiary of discretionary trust (Note 4)	3,844,862,385	35.32%
	Beneficiary of discretionary trust (Note 5)	611,656,857	5.62%
	Beneficiary of discretionary trust (Note 6)	2,936,311,202	26.97%

Notes:

1. The percentage represents the number of the Shares interested divided by the total number of the issued Shares as at the Latest Practicable Date of 10,885,771,385.
2. These Shares were directly held by Kong Bo Development Limited. Kong Bo Development Limited is owned as to 80% by Lucky Pure Limited, which is in turn wholly owned by Mr. Gao Dekang. As Ms. Mei Dong is the spouse of Mr. Gao Dekang, Ms. Mei Dong is deemed to be interested in the 262,479,999 Shares interested by Mr. Gao Dekang under the SFO.
3. Mr. Gao Dekang is the spouse of Ms. Mei Dong. Thus, he is deemed to be interested in the 2,763,697 Shares held by Ms. Mei Dong under the SFO.
4. These Shares were directly held by New Surplus International Investment Limited (“**New Surplus**”) the ordinary shares of which are wholly owned by Topping Wealth Limited and the non-voting preference shares of which are wholly owned by IC International Company Limited (“**ITC SPC**”). Topping Wealth Limited is wholly owned by Kova Group Limited, which is wholly owned by a trust, the trustee of which is Cititrust Private Trust (Cayman) Limited. The trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO. Further, Topping Wealth Limited had conferred and assigned all its voting rights in New Surplus to Bo Flying Limited, which is wholly owned by Bosideng Corporation Limited, which in turn is owned as to 67.54% by Kangbo Holdings Group Co., Ltd. (previously known as Bosideng Holdings Group Co., Ltd.) and 24.46% by Jiangsu Kangbo Investment Co., Ltd. (a company wholly owned by Mr. Gao Dekang). Kangbo Holdings Group Co., Ltd. is owned as to 81.56% by Jiangsu Kangbo Investment Co., Ltd. and 18.44% by Mr. Gao Dekang, who is deemed to be interested in such

Shares under the SFO. Accordingly, each of Kova Group Limited, Topping Wealth Limited, Cititrust Private Trust (Cayman) Limited, Bo Flying Limited, Bosideng Corporation Limited, Kangbo Holdings Group Co., Ltd. and Jiangsu Kangbo Investment Co., Ltd. is deemed to be interested in 3,844,862,385 Shares held by New Surplus under the SFO. Mr. Gao Dekang is a director of New Surplus, Topping Wealth Limited, Lucky Pure Limited, Bo Flying Limited, Blooming Sky Ventures Limited, Kong Bo Investment Limited, Jiangsu Kangbo Investment Co., Ltd., Honway Enterprises Limited (as mentioned in note (5) below), Bosideng Corporation Limited and Kangbo Holdings Group Co., Ltd. Mr. Gao Xiaodong is a director of Bosideng Corporation Limited and Kangbo Holdings Group Co., Ltd., and a general manager of Jiangsu Kangbo Investment Co., Ltd.

5. These Shares were directly held by Honway Enterprises Limited, which is wholly owned by First-Win Enterprises Limited, which is in turn wholly owned by a trust, the trustee of which is Cititrust Private Trust (Cayman) Limited. The trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO.
6. These Shares were directly held by Kong Bo Investment Limited. Kong Bo Investment Limited is owned as to 90% by Blooming Sky Ventures Limited, which is wholly owned by Blooming Sky Investment Limited, which is in turn wholly owned by a trust, the trustee of which is BOS Trustee Limited. The trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO.
7. Mr. Rui Jinsong was interested in 36,960,000 share options, 21,000,000 awarded Shares and directly held 20,074,242 Shares, respectively, and Ms. Huang Qiaolian was interested 8,000,000 share options, 8,000,000 awarded Shares and directly held 11,763,697 Shares, respectively. Details of the share options granted under the share options schemes of the Company and awarded Shares granted under the share award scheme of the Company are set out in the announcements of the Company dated August 5, 2016, March 5, 2018, October 26, 2018, April 23, 2020, October 23, 2020 and December 20, 2021 and in the section headed “Human Resources” under “Management Discussion and Analysis” of the 2021/22 interim report of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or were deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons, other than Directors or chief executive of the Company, had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of Shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company (Note 8)
Jiangsu Kangbo Investment Co., Ltd.	Interest of controlled corporation (Note 1)	3,844,862,385	35.32%
Kangbo Holdings Group Co., Ltd.	Interest of controlled corporation (Note 1)	3,844,862,385	35.32%
Bosideng Corporation Limited	Interest of controlled corporation (Note 1)	3,844,862,385	35.32%
BOS Trustee Limited	Trustee (Note 3)	2,936,311,202	26.97%
Blooming Sky Investment Limited	Interest of controlled corporation (Note 3)	2,936,311,202	26.97%
Blooming Sky Ventures Limited	Interest of controlled corporation (Note 3)	2,936,311,202	26.97%
Kong Bo Investment Limited	Beneficial interest (Note 3)	2,936,311,202	26.97%
Bo Flying Limited	Interest of controlled corporation (Note 1)	3,844,862,385	35.32%
Cititrust Private Trust (Cayman) Limited	Trustee (Note 1) Trustee (Note 2)	3,844,862,385 611,656,857	35.32% 5.62%

Name of Shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company (Note 8)
Kova Group Limited	Interest of controlled corporation (Note 1)	3,844,862,385	35.32%
Topping Wealth Limited	Interest of controlled corporation (Note 1)	3,844,862,385	35.32%
	Party to s317 agreement (Note 4)	3,813,211,755	35.03%
New Surplus	Beneficial Owner (Note 1)	3,844,862,385	35.32%
	Party to s317 agreement (Note 4)	3,813,211,755	35.03%
First-Win Enterprises Limited	Interest of controlled corporation (Note 2)	611,656,857	5.62%
Honway Enterprises Limited	Beneficial interest (Note 2)	611,656,857	5.62%
ITC SPC	Party to section 317 agreement (Note 5)	7,658,074,140	70.35%
ITOCHU Corporation	Interest of controlled corporation (Note 5)	7,658,074,140	70.35%
	Party to section 317 agreement (Note 5)	7,658,074,140	70.35%
ITOCHU Hong Kong Limited	Interest of controlled corporation (Note 5)	7,658,074,140	70.35%
	Party to section 317 agreement (Note 5)	7,658,074,140	70.35%
CITIC Group Corporation	Interest of controlled corporation (Notes 6 & 7)	7,658,074,140	70.35%
CITIC Limited	Interest of controlled corporation (Notes 6 & 7)	7,658,074,140	70.35%
CITIC International Financial Holdings Limited	Interest of controlled corporation (Notes 6 & 7)	7,658,074,140	70.35%

Name of Shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company (Note 8)
China CITIC Bank Corporation Limited	Interest of controlled corporation (Notes 6 & 7)	7,658,074,140	70.35%
CIAM	Party to section 317 agreement (Notes 6 & 7)	7,658,074,140	70.35%

Notes:

- Same as the interests as disclosed in note (4) in the section headed “(A) Directors and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares or Debentures” above.
- Same as the interests as disclosed in note (5) in the section headed “(A) Directors and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares or Debentures” above.
- Same as the interests as disclosed in note (6) in the section headed “(A) Directors and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares or Debentures” above.
- New Surplus and Topping Wealth Limited were parties acting in concert with Mr. Gao Dekang and ITC SPC under s317(a) of the SFO. By virtue of the SFO, New Surplus and Topping Wealth Limited were deemed to be interested in 3,813,211,755 Shares, in addition to the 3,844,862,385 Shares interested by them.
- ITOCHU Corporation was deemed to be interested in a total of 7,658,074,140 Shares by virtue of its control over ITOCHU Hong Kong Limited, which controlled ITC SPC, a party acting in concert with Mr. Gao Dekang, Topping Wealth Limited and New Surplus under s317(a) of the SFO. By virtue of the SFO, each of ITOCHU Corporation, ITOCHU Hong Kong Limited and ITC SPC was deemed to be interested in 7,658,074,140 Shares.
- CIAM and Feather Shade Limited are parties acting in concert with ITOCHU Corporation, ITOCHU Hong Kong Limited and ITC SPC under s317(a) of the SFO. By virtue of the SFO, CIAM and Feather Shade Limited were deemed to be interested in 7,658,074,140 Shares.
- Each of CITIC Group Corporation, CITIC Limited, CITIC International Financial Holdings Limited and CIAM was deemed to be interested in a total of 7,658,074,140 Shares by virtue of its control over several corporations, according to the disclosure forms filed by them on December 28, 2020, as the case maybe, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares
CITIC Polaris Limited	CITIC Group Corporation	100.00	N	7,658,074,140
CITIC Limited	CITIC Polaris Limited	32.53	N	7,658,074,140
CITIC Glory Limited	CITIC Group Corporation	100.00	N	7,658,074,140
CITIC Limited	CITIC Glory Limited	25.60	N	7,658,074,140
CITIC Corporation Limited	CITIC Limited	100.00	N	7,658,074,140
China CITIC Bank Corporation Limited	CITIC Corporation Limited	65.37	N	7,658,074,140
CITIC Investment (HK) Limited	CITIC Corporation Limited	100.00	N	7,658,074,140
Fortune Class Investments Limited	CITIC Investment (HK) Limited	100.00	N	7,658,074,140

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares
China CITIC Bank Corporation Limited	Fortune Class Investments Limited	0.02	N	7,658,074,140
Metal Link Limited	CITIC Limited	100.00	N	7,658,074,140
China CITIC Bank Corporation Limited	Metal Link Limited	0.58	N	7,658,074,140
CITIC International Financial Holdings Limited	China CITIC Bank Corporation Limited	100.00	N	7,658,074,140
CIAM	CITIC International Financial Holdings Limited	46.00	N	7,658,074,140
Feather Shade Limited	CIAM	100.00	N	7,658,074,140

8. The percentage represents the number of the Shares interested divided by the total number of the issued Shares as at the Latest Practicable Date of 10,885,771,385.

Save as disclosed above, as at Latest Practicable Date, none of the substantial Shareholders had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of the Company.

(C) Material Interests

The Group entered into the following transactions with the Parent Group.

(a) *Framework Integrated Service Agreement*

The Company entered into a framework integrated service agreement dated September 15, 2007 with Mr. Gao Dekang, pursuant to which 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 a term of three years, and is 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 framework integrated service agreement was entered into on terms no less favourable to the Group than terms available from independent third parties. The agreement will be further renewed for a term of three years from September 15, 2022.

(b) Property Lease Agreement and the Supplemental Property Lease Agreement

The Company entered into a property lease agreement with Mr. Gao Dekang dated September 15, 2007, pursuant to which Mr. Gao Dekang shall procure the Parent Group to lease properties to the Group. The properties leased under this agreement will be used as the Group's regional offices, warehouses, showrooms and stores.

The term of each lease granted under the property lease agreement is no more than 20 years. 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 a supplemental property 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 not more than three years. The rental payable under the property lease agreement and the supplemental property lease agreements are to be reviewed annually taking into account market conditions, and should not be higher than the rent applicable to a third party tenant at the relevant time. The agreement will be further renewed for a term of three years from April 22, 2022.

(c) Agreement

The details of the Agreement are set out in the "Letter from the Board" as set out in this circular.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was significant in relation to the business of the Group taken as a whole.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or any professional adviser named in paragraph 6 of this Appendix had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since March 31, 2021, being the date of the latest published audited financial statements of the Company.

(D) Competing Interests

As at the Latest Practicable Date, none of the Directors and his/her respective associates (as defined in the Listing Rules) was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the Group's business.

3. SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.

4. MATERIAL ADVERSE CHANGE

Save as disclosed herein, as at the Latest Practicable Date, the Directors confirmed that there had not been any material adverse change in the financial or trading position of the Company since March 31, 2021, being the date of the latest published audited financial statements of the Company.

5. CONSENT

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they respectively appear.

6. QUALIFICATIONS OF EXPERT

The following is the qualification of the professional adviser who has given opinions or advice contained in this circular:

Name	Qualification
Gram Capital	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Liang Shuang, a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The place of business in Hong Kong is Unit 5709, 57/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (d) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Agreement will be available on the Stock Exchange's website and the Company's website at www.hkexnews.hk and <http://company.bosideng.com> for at least 14 days from the date of this circular up to and including the date of the EGM.

NOTICE OF EGM

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Bosideng International Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Tuesday, March 29, 2022 at Meeting Room, 21/F Bosideng Main Building, Bosideng Industrial Zone, Changshu City, Jiangsu Province, PRC for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the proposed annual caps for each of the three years ending March 31, 2025 and the renewal of the transactions contemplated under the Framework Manufacturing Outsourcing and Agency Agreement as set out in the circular to the shareholders of the Company dated March 9, 2022 be approved; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Framework Manufacturing Outsourcing and Agency Agreement and the transactions contemplated therein.”

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

Hong Kong, March 9, 2022

NOTICE OF EGM

Notes:

1. Any shareholder of the Company (the “Shareholder”) entitled to attend and vote at the meeting (the “EGM”) is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder but must be present in person at the meeting to represent the Shareholder. Completion and return of the form of proxy will not preclude a Shareholder from attending the EGM and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. Where there are joint holders of any share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders is present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of that power or authority must be deposited at the offices of the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof.
4. The register of members of the Company will be closed from Thursday, March 24, 2022 to Tuesday, March 29, 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, March 23, 2022.
5. The Company will conduct a hybrid EGM using Computershare e-Meeting System, which allows Shareholders to participate the EGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the EGM via their mobile phones, tablet, or computers. The live broadcast option can also broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending large scale events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.
6. Although Shareholders are welcome to attend the EGM in person if they so wish, the Company strongly recommends Shareholders to attend the EGM via the online option in view of the current development of COVID-19. The Company will also be undertaking the following precautionary measures to safeguard the health and well-being of Shareholders (or their proxies) who are attending the EGM in person, including temperature screening, requiring provision of health code, itinerary code, nucleic acid test results within 48 hours and/or other supporting documents on demand of the Company, requiring all participants to wear surgical face masks, plus safe distancing measures for queue management and seating at the meeting venue.
7. For online voting at the EGM, Shareholders can refer to the enclosed letters and the Online Meeting User Guide (by visiting the following hyperlink at <http://meetings.computershare.com/MSXX4K6>) for details. If you have any queries on the above, please contact the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, via their hotline at (852) 2862 8555 from 9:00 a.m. to 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
8. Shareholders who wish to attend the EGM and exercise their voting rights can do so in one of the following ways:
 - (1) attend the EGM in person and vote at the EGM venue; OR
 - (2) attend the EGM via Computershare e-Meeting System which enables live streaming and interactive platform for Q&A and submit their voting online; OR
 - (3) appoint the Chairman of the EGM or other persons as your proxy to vote on your behalf. Your proxy’s authority and instruction will be revoked if you attend and vote in person at the EGM or via the Computershare e-Meeting System.

NOTICE OF EGM

Non-registered holders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may be able to attend the EGM, vote and submit questions online. In this regard, they should consult directly with their bank, broker or custodian (as the case may be) for the necessary arrangements.

For corporate Shareholders who wish to attend the EGM and vote online, please contact the Company's Hong Kong branch share registrar via their hotline at (852) 2862 8555 on or before March 23, 2022 for arrangement.

9. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Mr. Gao Dekang and his associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolution.
10. The ordinary resolution as set out above will be determined by way of a poll.

As at the date of this notice, 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.