波司登國際控股有限公司

Bosideng International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3998)

CONTINUING CONNECTED TRANSACTIONS

REVISION OF ANNUAL CAPS FOR THE FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

References are made to the announcement of the Company dated June 26, 2014 and the circular of the Company dated July 25, 2014 in respect of, among other things, the Agreement, which was entered into between the Company and the Parent Group regarding the renewal.

As the amount of manufacturing services actually required by the Group from the Parent Group under the Agreement exceeds the original projection, the aggregate amount of fees payable by the Group to the Parent Group for the year ending March 31, 2015 may soon exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Caps for the three years ending March 31, 2017 in order to comply with Rule 14A.54 of the Listing Rules.

As each of the relevant percentage ratios applicable to the New Annual Caps is more than 5% on an annual basis and the maximum annual consideration is more than HKD10,000,000, the transactions contemplated under the Agreement will continue to be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek the independent Shareholders' approval of the New Annual Caps. A circular containing, among others, details regarding the New Annual Caps, the respective advice from the Independent Financial Adviser and the Independent Board Committee on the New Annual Caps and the notice of the EGM, will be despatched to the Shareholders on or before January 22, 2015, as additional time may be required to prepare the relevant information to be included in the circular in light of the forthcoming Christmas and New Year public holidays.

INTRODUCTION

References are made to the announcement of the Company dated June 26, 2014 and the circular of the Company dated July 25, 2014 in respect of, among other things, the Agreement, which was entered into between the Company and the Parent Group regarding the renewal of the transactions contemplated under the Agreement.

CONNECTED PERSONS

The Parent Group

Mr. Gao Dekang (the Chairman of the Company) is the substantial shareholder of the Company beneficially interested in approximately 65.08% of the Company's issued share capital as at the date of this announcement.

For so long as Mr. Gao Dekang remains a substantial shareholder of the Company, 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.

FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

Background Information

As the amount of services actually required by the Company under the Agreement exceeds the original projection, the aggregate amount of fees payable by the Group to the Parent Group for the year ending March 31, 2015 may soon exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Caps for the three years ending March 31, 2017 in order to comply with Rule 14A.54 of the Listing Rules.

The reasons for the increase in the demand for the manufacturing services of the Parent Group are:

(i) *Specific demand from OEM customers*

Based on the quality assurance of the Parent Group in the field of down apparel manufacturing over the years and the increasing customer requirements for improved quality of down garments in recent years, there is substantial increase in the specific demand from the original equipment manufacturing ("**OEM**") customers of the Group for the down apparel products to be manufactured by the Parent Group in the past eight months period.

(ii) *Adoption of the "Stringent control in inventory as well as operation refinement" strategy of the Group*

As disclosed in the 2014/2015 interim results of the Company, the Group has adopted a series of measures to enhance retail operating capability as well as to reduce its inventory. The Group has made adjustment to orders placed by distributors and strictly controlled the overall production amount based on actual sales. The Group will have more meticulous store data analysis such as product portfolio, sales speed and profitability, etc.,which has enhanced efficiency of logistics and warehouses for immediate stock replenishment to ensure sufficient product supply at a more cost efficient basis.

Under such an operation refinement strategy, each batch of down apparel products orders placed by the Group can only be of a smaller quantity and at a quicker turnaround time so as to meet such immediate replenishment policy. As such, there are not many independent manufacturers who will be willing or capable to take up such manufacturing order at the Estimated Costs (as defined below) as requested by the Group. The Parent Group therefore took up most of these manufacturing orders placed by the Group in the past eight months period, which nearly fully utilized the original annual cap as obtained by the Group.

Scope of the Agreement

Pursuant to the Agreement, the Company has agreed to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis, which currently includes the Manufacturing Companies. The details of the Agreement were also set out in the announcement of the Company dated June 26, 2014 and the circular of the Company dated July 25, 2014.

Under the Agreement, the Parent Group provides labour, factory, premises, necessary equipment, water and electricity for the processing of down apparel products. 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 work.

In addition, the Parent Group also from time to time procures raw materials for the Group's OEM business from independent third party suppliers in the PRC in accordance with the Group's instructions. No agency fee is payable by the Group to the Parent Group and the raw materials procured are used solely for the manufacturing of the Group's OEM products. The processing fee shall be payable in cash by the Group within 30 days after the completion of processing of each batch of down apparel products. 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 in cash by the Group within 30 days after the completion of processing of each batch of down apparel products. 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 the information of the monthly salary, rental, utilities expenses incurred by the Parent Group in the previous months for estimation of the cost to be incurred for each batch of down apparel products.

After determining the costs to be incurred for the relevant batch of down apparel products of the Parent Group and the applicable mark-up rate ranging from 5% to 10% (depending on place, quantity and the turnaround time of the processing services required) (the "**Estimated Costs**"), the Company will then invite independent third parties to consider if they are able to provide the processing services on similar terms (i.e. quality, turnaround time, payment terms) at a fixed price (being the Estimated Cost) or any lower price they can offer. The non-exclusive arrangement under the Agreement allows the Group to appoint other outsourcing manufacturers for the processing of down apparel products if the terms offered by the Parent Group are not the most favourable to the Group. Should the terms offered by independent manufacturers be lower than the Estimated Costs with other terms similar to or better than those offered by the Parent Group, the Group will then appoint the other outsourcing manufacturers for the processing of down apparel products.

Term

The 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, 2017.

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.

Historical figures and New Annual Caps

Set out below the aggregate fee paid by the Group to the Parent Group for each of the years ended March 31, 2012, 2013 and 2014 and the period from April 1, 2014 to November 30, 2014:

	For the year ended March 31, 2012	2013	2014	For the period from April 1, 2014 to November 30, 2014 (unaudited)
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*
Fees paid under the Agreement	479.5	430.0	482.7	542.3

The Company proposes the New Annual Caps as follows:

	For the year ending March 31, 2015		2016		2017	
	RMB (million)		*RMB (million)*		*RMB (million)*	
	Original Cap	Revised Cap	Original Cap	Revised Cap	Original Cap	Revised Cap
Fees payable under the Agreement	570.0	770.0	673.0	950.0	795.0	1,150.0

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

(a) the historical figures of the relevant transactions, in particular, the historical figures for the period from April 1 to November 30, 2014 of approximately RMB542.3 million, which had nearly fully utilized the original annual cap of RMB570.0 million for the year ending March 31, 2015;

(b) the continuous adoption of the stringent control in inventory and immediate stock replenishment strategy of the Group which will increase the manufacturing costs of the other independent manufactures and thus the Group's reliance on the manufacturing services of the Parent Group which can be more flexible in entertaining the Group's order request in terms of smaller quantity and quicker turnover time;

(c) the expected continuous increase in prices for the receipt of similar services from third party contract manufacturers over the next three years, in particular, the increase of manufacturing fees as a result of higher labour costs;

(d) based on the quality assurance of the Parent Group in the field of down apparel manufacturing over the years and the increasing customer requirements for improved quality of down garments in recent years, the specific demand from the OEM customers of the Group for the down apparel products to be manufactured by the Parent Group has substantially increased during the past eight months period; and

(e) the inclusion of a buffer 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 unexpected increase in the cost of provision of the services as contemplated under the Agreement.

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

The INEDs and the auditor of the Company will be provided on a regular basis 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; and (iii) fee quotations provided by independent third parties for the processing of the same type of down apparel products for review and comparison purpose. The INEDs will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the 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.

REASONS FOR AND BENEFITS OF THE REVISION OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

As mentioned above, the amount of manufacturing services actually required by the Company under the Agreement exceeds the original projection, the aggregate amount of fees payable by the Group to the Parent Group for the year ending March 31, 2015 may soon exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Caps for the three years ending March 31, 2017 in order to comply with Rule 14A.54 of the Listing Rules.

The Group is principally engaged in research, design and development, raw materials procurement, outsourced manufacturing, and marketing and distribution of branded down apparel products, OEM products and non-down apparel products in the PRC. The New Annual Caps will enable the Group to continue to use the more flexible manufacturing services offered by the Parent Group, 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 Directors (excluding the INEDs who will provide their advice after having received the advice from the Independent Financial Adviser) are of the opinion that the New Annual Caps are fair and reasonable and that the transactions contemplated under the Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Mr. Gao Dekang, Ms. Mei Dong (the spouse of Mr. Gao Dekang) and Ms Gao Miaoqin (the cousin of Mr. Gao Dekang), all of whom are Directors, have abstained from voting on the board resolution approving the New Annual Caps.

LISTING RULES IMPLICATIONS

As each of the relevant percentage ratios applicable to the New Annual Caps is more than 5% on an annual basis and the maximum annual consideration is more than HKD10,000,000, the transactions contemplated under the Agreement will continue to be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened to seek the Independent Shareholders' approval of the New Annual Caps. The voting at the EGM will be taken by way of poll. Other than Mr. Gao Dekang and his associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the New Annual Caps.

The Independent Board Committee comprising all INEDs has been set up to approve the appointment of the Independent Financial Advisor and to advise the Independent Shareholders in relation to the New Annual Caps. Investec has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Shareholders in this regard.

A circular containing, among others, details regarding the New Annual Caps, the respective advice from the Independent Financial Adviser and the Independent Board Committee on the New Annual Caps and the notice of the EGM, will be despatched to the Shareholders on or before January 22, 2015, as additional time may be required to prepare the relevant information to be included in the circular in light of the forthcoming Christmas and New Year public holidays.

DEFINITIONS

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

"Agreement"	the framework manufacturing outsourcing and agency agreement entered into between the Company and Mr. Gao Dekang dated September 15, 2007, in respect of which notices of renewal were served by the Company to the Parent Group to extend the term up to September 14, 2017, pursuant to which the Group agrees to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors of the Company
"Company"	Bosideng International Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Directors"	the director(s) of the Company

"EGM"	an extraordinary general meeting of the Company to be held to consider and approve the New Annual Caps
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee comprising all the INEDs, namely Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie
"Independent Financial Adviser" or "Investec"	Investec Capital Asia Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the New Annual Caps
"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
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Manufacturing Companies"	Jiangsu Xuezhongfei Apparels Manufacturing Co., Ltd., Shandong Kangbo Industry Co., Ltd., Jiangsu Kangxin Garment Co., Ltd., Jiangsu Suyong International Trade Co., Ltd., all of which are owned or controlled by Mr. Gao Dekang's family
"New Annual Caps"	the proposed revised annual caps for the continuing connected transactions under the Agreement for each of the three years ending March 31, 2017, as set out under the section "Historical figures and New Annual Caps" in this announcement
"Parent Group"	Mr. Gao Dekang and his associates, other than members of the Group
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC

"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

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

Hong Kong, December 23, 2014

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