
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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波司登國際控股有限公司
Bosideng International Holdings Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3998)

CONNECTED TRANSACTION
CAPITALIZATION OF THE JPY24 BILLION LOAN
UNDER SPECIFIC MANDATE
AND
NOTICE OF EGM

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

 **金融有限公司**
OCTAL Capital Limited

A notice convening the EGM to be convened and held at 10:30 am, Hong Kong on Friday, October 21, 2016 at Cliftons Hong Kong, 508-509 Hutchison House, 10 Harcourt Road, Central, Hong Kong is set out on pages 41 to 42 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 and Transfer Office, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 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.

September 28, 2016

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DEFINITIONS

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

“Announcement”	the announcement made by the Company dated September 6, 2016
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CIAM”	CITIC International Assets Management Limited
“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
“Completion”	completion of the Loan Capitalization pursuant to the terms of the Subscription Agreement
“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 convened and held for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“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” or “IBC”	the independent board committee comprising all the INEDs, namely Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie

DEFINITIONS

“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Loan Capitalization
“Independent Shareholders”	Shareholders other than New Surplus and its associates
“INEDs”	the independent non-executive Directors
“ITC SPC”	IC International Company Limited, a company incorporated in Hong Kong with limited liability and set up by subsidiaries of ITOCHU Corporation and CIAM
“JPY”	Japanese dollars, the lawful currency of Japan
“Latest Practicable Date”	September 23, 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the advance of JPY24 billion made on April 8, 2016 under the loan agreement dated January 8, 2016, which for the avoidance of doubt shall exclude any accrued interest on such JPY24 billion (whether or not paid, payable or already capitalized and added to the principal amount)
“Loan Capitalization”	the subscription of the Subscription Shares at the Subscription Price by New Surplus under the Subscription Agreement in consideration of New Surplus waiving its rights to repayment of the Loan

DEFINITIONS

“New Surplus”	New Surplus International Investment Limited, a company incorporated in the British Virgin Islands, which its ordinary shares were indirectly wholly owned by Mr. Gao Dekang and its non-voting preference shares are wholly owned by ITC SPC, respectively as at the Latest Practicable Date
“Parent Group”	Mr. Gao Dekang and his associates, other than members of the Group
“PRC”	the People’s Republic of China, for the purpose of this circular, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of USD0.00001 each of the Company
“Share Award Scheme Trustee”	BOCI – Prudential Trustee Limited, a company incorporated in Hong Kong, the trustee appointed by the Company for the administration of the share award scheme of the Company adopted on September 23, 2011
“Shareholders”	holder(s) of Share(s)
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares to New Surplus upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated September 6, 2016 between the Company and New Surplus in connection with the Loan Capitalization
“Subscription Price”	HKD0.93 per Subscription Share
“Subscription Shares”	1,834,862,385 new Shares to be issued by the Company to New Surplus pursuant to the Subscription Agreement

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“USD”	United States dollars, the lawful currency of United States of America
“%”	per cent

Unless otherwise specified in this circular, all amounts in JPY are translated into USD at an exchange rate of USD1.00 = JPY109, and all amounts in USD are translated into HKD at an exchange rate of USD1.00 = HKD7.75. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate and any other rate or at all.

LETTER FROM THE BOARD



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 of the Board and
Chief Executive Officer*)
Ms. Mei Dong
Ms. Gao Miaoqin
Ms. Huang Qiaolian
Mr. Mak Yun Kuen
Mr. Rui Jinsong

Independent Non-Executive Directors:

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

Registered Office:

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

Place of Business in Hong Kong:

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

September 28, 2016

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
CAPITALIZATION OF THE JPY24 BILLION LOAN
UNDER SPECIFIC MANDATE
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement in respect of the Loan Capitalization.

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

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT

Date: September 6, 2016

Parties:

Issuer: the Company

Subscriber: New Surplus, a company of which its ordinary shares are ultimately wholly owned by Mr. Gao Dekang and its non-voting preference Shares are wholly owned by ITC SPC, a company jointly set up by subsidiaries of ITOCHU Corporation and CIAM, a substantial Shareholder holding 2,010,000,000 Shares, representing approximately 22.72% of the total number of Shares in issue as at the Latest Practicable Date), thus a connected person of the Company

Loan Capitalization:

As disclosed in the announcement of the Company issued on January 8, 2016, the Company has entered into a JPY24 billion facility agreement with New Surplus, pursuant to which New Surplus had advanced the Loan to the Company on April 8, 2016 at a compound interest rate of 2.5% per annum, and the Loan shall be repaid on March 23, 2017.

As at the Latest Practicable Date, the outstanding amount of the Loan was JPY24 billion. The intended usage of the Loan was for merger and acquisition of fashion, textile or apparel industry or related business and/or investment in capital protected financial instrument and/or any capital protected debt financial instrument. Approximately HKD82.35 million of the Loan had been applied for the acquisition of Buoubuou International Holdings Limited as disclosed in the announcement of the Company dated July 8, 2016, and the remaining amount of the Loan had yet to be utilized as at the Latest Practicable Date.

New Surplus has conditionally agreed to subscribe for all of the Subscription Shares at the Subscription Price in exchange for, and by waiving its rights to repayment of the Loan and the Company has conditionally agreed to allot and issue all of the Subscription Shares at the Subscription Price to New Surplus, subject to the terms and conditions set out in the Subscription Agreement.

The parties further agreed that for the purpose of calculating the number of Subscription Shares at the Subscription Price that will be issued as a result of the Loan Capitalization, the HKD equivalent of the Loan will be calculated based on an exchange rate of USD1.00 = JPY109, and USD1.00 = HKD7.75, that is approximately HKD1,706,422,018.34.

LETTER FROM THE BOARD

Subscription Shares:

1,834,862,385 new Shares, representing approximately 20.74% of the total number of Shares in issue as at the Latest Practicable Date and approximately 17.18% of the total number of Shares in issue as enlarged by the Loan Capitalization. The nominal value of the Subscription Shares is approximately USD18,348.62.

Subscription Price:

The Subscription Price of HKD0.93 per Subscription Share represents:

- (a) a premium of approximately 31.0% over to the closing price of HKD0.71 per Share on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 31.0% over the closing price of HKD0.71 per Share on the Stock Exchange on the date of the Subscription Agreement;
- (c) a premium of approximately 31.0% over the average closing price of HKD0.71 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (d) a premium of approximately 32.9% over the average closing price of HKD0.70 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was determined on an arm's length basis between the Company and New Surplus with reference to the prevailing market price of the Share. The Directors consider that the Subscription Price is fair and reasonable as it fairly reflects, and represents a premium over, the recent trading price of the Shares. For detailed analysis of the trading price trend of the Shares, please refer to the Letter from Octal Capital from pages 17 to 31 for further details.

Specific mandate to issue the Subscription Shares:

The Subscription Shares will be issued under the Specific Mandate to be sought at the EGM. The Specific Mandate, if approved, will be valid until the completion of the Subscription or termination of the Subscription Agreement.

Ranking:

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with all existing Shares presently in issue and at the time of issue and allotment of the Subscription Shares and in particular shall rank in full for all dividends and other distributions declared made or paid hereafter.

LETTER FROM THE BOARD

Condition of the Loan Capitalization:

Completion of the Subscription Agreement is subject to the fulfillment (or waiver) of the following conditions:

- (a) the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at the EGM of resolutions approving (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue the Subscription Shares to New Surplus pursuant to the terms provided therein;
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission remaining in full force and effect;
- (c) there not having occurred, at any time on and from the date of the Subscription Agreement, until or at Completion:
 - (i) any creation, granting, issue or allotment of any Shares, or securities or instruments convertible into or exercisable or exchangeable for or that represent the right to receive, any Share or any other equity or ownership interest in the Company or the issue of any other equity or ownership interests in the Company or any other event which would or contingently or conditionally would increase the total issued share capital in the Company;
 - (ii) any trading halt, suspension or limitation of trading in any of the Shares listed on the Stock Exchange which lasts more than five consecutive trading days, unless such trading halt, suspension or limitation of trading is solely for the purpose of clearing by the Stock Exchange of an announcement/circular to be issued by the Company in connection with the transactions contemplated herein for compliance with Chapter 14 and/or Chapter 14A of the Listing Rules;
 - (iii) the volume weighted average price of the Shares as quoted on the Stock Exchange is HKD0.595 or lower for a consecutive period of three trading days or more;
 - (iv) the volume weighted average price of the Shares as quoted on the Stock Exchange is HKD0.93 or higher for a consecutive period of three trading days or more; or
 - (v) the closing price per Share as quoted on the Stock Exchange immediately preceding the Completion Date shall not be lower than HKD0.595;

LETTER FROM THE BOARD

- (d) there being no breach immediately prior to Completion of any of the warranties given by the Company on the date of the Subscription Agreement and immediately prior to and upon Completion and there being no breach of any of the undertakings of the Company under the Subscription Agreement; and
- (e) there is no trading halt, suspension or limitation of trading in the Shares on the Stock Exchange on the Completion Date.

None of the conditions precedent may be waived by any party, save for items (c) (except (c)(iv)), (d) and (e) above which can be waived by New Surplus. In the event that any of the conditions referred to above is not fulfilled or waived in full at or before 5:00 p.m. on December 31, 2016 (or such other time and date as may be agreed between the Company and New Surplus), the Subscription Agreement shall cease and determine and thereafter, neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the provisions hereof. As at the Latest Practicable Date, none of the conditions precedent had been fulfilled or waived.

Completion of Loan Capitalization:

The fifth business day immediately after the conditions have been fulfilled or waived (or such other date as the parties may agree in writing).

Immediately upon Completion, the Company will be irrevocably and fully discharged and released from all its liabilities and obligations in connection with and from all claims and demands under the Loan, save for the payment of any accrued interests on the Loan under the terms of the facility agreement.

Undertakings by the Company:

The Company undertakes:

- (i) save pursuant to the issuance of Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company pursuant to any share option(s) granted or to be granted under the share option scheme of the Company adopted on September 15, 2007 or award granted or to be granted under the share award scheme of the Company adopted on September 23, 2011, subject to a maximum in aggregate of not more than 5% of the issued share capital of the Company as at the date of the Subscription Agreement, that it shall not, before the Completion Date create, grant, issue or allot any Shares or securities or instruments convertible into or exercisable or exchangeable for, or that represent the right to receive, any Share or other equity or ownership interest in the Company or issue any other equity or ownership interests in the Company or undertake any other event which would or contingently or conditionally would increase the total outstanding issued share capital in the Company; and

LETTER FROM THE BOARD

- (ii) save for the final dividend declared by the Company for the year ended March 31, 2016 or any usual interim dividend to be declared by the Company for the six month period ending September 30, 2016 (if any), that it shall not, before the Completion Date, and excluding any repayment of financial indebtedness, declare or pay any dividend, bonus or other distribution of capital or income (whether in cash or in specie) or declare or make any repurchase, redemption, reduction, cancellation, repayment or return of Shares or other ownership interests in the Company or agree or commit to do any of the foregoing.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of an approval for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION OF NEW SURPLUS

As at the Latest Practicable Date, New Surplus was a company of which its ordinary shares are ultimately wholly owned by Mr. Gao Dekang and its non-voting preference shares are wholly owned by ITC SPC, a company jointly set up by subsidiaries of ITOCHU Corporation and CIAM, a substantial Shareholder holding 2,010,000,000 Shares, representing approximately 22.72% of the total number of Shares in issue as at the Latest Practicable Date. Upon Completion, New Surplus will hold 3,844,862,385 Shares, representing approximately 35.99% of the total number of Shares in issue as enlarged by the Loan Capitalization.

To the best of Directors' knowledge, information and belief having made all reasonable enquiries:

- (i) ITOCHU Corporation is a company listed on Tokyo Stock Exchange and is engaging in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals, minerals, energy, chemicals, food, information and communications technology, realty, general products, insurance, logistics services, construction, and finance, as well as business investment in Japan and overseas, with approximately 130 bases in 65 countries; and
- (ii) CIAM is an investment company and its businesses include asset management, private equity investment, financing and other financial services. Focusing on China, CIAM has offices in Beijing, Tianjin and Shenzhen with headquarter in Hong Kong. CITIC International Financial Holdings is the major shareholder of CIAM.

REASONS FOR AND BENEFITS OF THE LOAN CAPITALIZATION

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.

LETTER FROM THE BOARD

The Directors believe that it is a good timing for the Company to capitalize the Loan into its share capital by the agreed exchange rates and at a substantial premium over the prevailing trading price trend of the Shares (ranging from approximately 31.0% to 32.9% for the average closing price as set out in the “Subscription Price” section of this circular). The Loan Capitalization can alleviate the loan repayment pressure of the Group and avoid unnecessary cash outflow from the Group. The Directors are of the opinion that it is in the interests of the Company to preserve as much liquidity as possible to explore new business or investment opportunities that well match the Group’s development (including but not limited to merger and acquisition of apparel-related businesses) as and when it arises.

In this context, the Directors also believe that the extensive experience and global resources of ITOCHU Corporation may give rise to business or investment opportunities. ITOCHU Corporation has seconded professionals with 20 to 30 years of extensive experience in the apparel industry to the Company to assist in identifying areas for cooperation between the Company and ITOCHU Corporation. The initial work plan include: 1) introducing ITOCHU Corporation’s highly competitive raw materials to enhance the brand and product value of the Company; 2) assisting the Company to strengthen overseas sales and e-sales; 3) making use of ITOCHU Corporation’s new production base in the Southeast Asia region to lower the cost of production and expanding the OEM management business; 4) jointly working with each other to identify M&A opportunities involving European and US premium down apparel brands and high growth potential kids’ brands with a view to seek increased diversification of the Company’s businesses; and 5) optimising the Company’s internal control and operating models by leveraging on the international experience of ITOCHU Corporation to enhance the corporate value of the Company. It is believed that, through such strengthened cooperation, the Company not only can further consolidate its position as the largest down apparel enterprise in China, but also further expand the non-down apparel business and strengthen its operational and management capabilities with a view to becoming a renowned integrated apparel enterprise in China.

Although the issue of the Subscription Shares will have a dilution effect to the existing Shareholders, having considered (i) the shareholding interests in the Company held by the public shareholders will only be diluted from approximately 38.99% to approximately 32.29%, which is not substantial; (ii) the Subscription Price was determined with reference to the prevailing market prices of the Shares as at the date of the Subscription Agreement which represents a substantial premium as mentioned above; (iii) the net asset position of the Company will be enhanced by the Loan Capitalization; and (iv) the Shareholders as a whole are adequately protected because the Loan Capitalization is subject to the independent Shareholders’ approval, the Directors consider that the Loan Capitalization is fair and reasonable and in the interests of the Company and the Shareholders as a whole, despite of the dilution effect.

Having considered all of the reasons stated above, the Directors (including the INEDs) consider that the Subscription Agreement has been entered into on normal commercial terms and the terms (including the Subscription Price) are fair and reasonable. and the Loan Capitalization is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company had 8,847,698,000 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming that there will be no further changes in the total number of Shares in issue prior to the Completion) are as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately after Completion	
	Number of Shares	Approx %	Number of Shares	Approx %
Mr. Gao Dekang and his associates (other than his spouse and sister who are Directors)				
(i) Kong Bo Investment Limited (<i>Note 1</i>)	3,146,219,202	35.56	3,146,219,202	29.45
(ii) Kong Bo Development Limited (<i>Note 2</i>)	52,571,999	0.59	52,571,999	0.49
(iii) New Surplus	2,010,000,000	22.72	3,844,862,385	35.99
<i>Sub-total</i>	<u>5,208,791,201</u>	<u>58.87</u>	<u>7,043,653,586</u>	<u>65.93</u>
Directors (<i>Note 3</i>)	8,409,333	0.10	8,409,333	0.08
Share Award Scheme Trustee (<i>Note 4</i>)	180,900,000	2.04	180,900,000	1.70
Public Shareholders	<u>3,449,597,466</u>	<u>38.99</u>	<u>3,449,597,466</u>	<u>32.29</u>
Total	<u>8,847,698,000</u>	<u>100.00</u>	<u>10,682,560,385</u>	<u>100.00</u>

Notes:

- Kong Bo Investment Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Trust. The GDK Trust is a discretionary trust set up by Mr. Gao Dekang as the founder, for the benefit of his family members (including Ms. Mei Dong).
- Kong Bo Development Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Trust. The GDK Trust is a discretionary trust set up by Mr. Gao Dekang as the founder, for the benefit of his family members (including Ms. Mei Dong).
- These Shares are held by Ms. Mei Dong (2,763,697 Shares), Ms Gao Miaoqin (1,003,697 Shares), Ms. Huang Qiaolian (2,763,697 Shares) and Mr. Rui Jinsong (1,878,242 Shares), respectively.
- These Shares are held by the Share Award Scheme Trustee, on behalf of participants which includes the Company's connected person, i.e. Directors, namely Mr. Mak Yun Kuen (11,200,000 Shares), Mr. Rui Jinsong (11,200,000 Shares), Ms. Gao Miaoqin (5,600,000 Shares) and Ms. Huang Qiaolian (5,600,000 Shares), thus the Share Award Scheme Trustee is a close associate of the Directors.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITY IN THE PAST 12 MONTHS AND OTHER MATTERS

The Company had not conducted any equity fund raising activity in the 12 months preceding the date of the Latest Practicable Date.

As at the Latest Practicable Date, the Company might appoint a candidate nominated by ITOCHU Corporation as an executive or a non-executive Director. Save as disclosed, the Company and the Board did not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any potential acquisition which would involve (a) disposal/termination/scaling-down of the Company's existing businesses and/or (b) injection of any new business to the Company; and/or (c) any further change in the Board composition and shareholding structure other than those contemplated under the Subscription Agreement.

IMPLICATIONS UNDER THE LISTING RULES AND TAKEOVERS CODE

As at the Latest Practicable Date, New Surplus was a substantial Shareholder directly holding 2,010,000,000 Shares, representing approximately 22.72% of the total number of Shares in issue as at the Latest Practicable Date, and is a company of which its ordinary shares are indirectly wholly owned by Mr. Gao Dekang (the Chairman of the Company), who is the substantial Shareholder beneficially interested in approximately 58.87% (i.e. 58.91% if the interest of Ms. Mei Dong (0.03%) and Ms. Gao Miaoqin (0.01%) are included) of the total number of Shares in issue as at the Latest Practicable Date, and hence, New Surplus is a connected person of the Company under the Listing Rules. As such, the Loan Capitalization constitutes a connected transaction for the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement and the granting of the Specific Mandate at the EGM.

Mr. Gao Dekang, Ms. Mei Dong (the spouse of Mr. Gao Dekang) and Ms. Gao Miaoqin (the cousin of Mr. Gao Dekang) have abstained from voting on the board resolution approving the Loan Capitalization due to Mr. Gao Dekang's interest in the Loan Capitalization.

Application has been submitted to the Executive for a ruling under Note 6(b) to Rule 26.1 of the Takeovers Code, and the Executive has waived the obligation of New Surplus to make a general offer for the Shares arising as a result of the completion of the Loan Capitalization, which will increase the shareholding held by New Surplus in the Company from 22.72% to 35.99% on an individual basis, as Mr. Gao Dekang, through his interests in (i) the GDK Trust; and (ii) his interests in various controlled corporations as defined under the SFO including New Surplus, has been and will be interested in and control an aggregate of more than 50% of the total number of Shares in issue immediately before and after the Loan Capitalization.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at 10:30 am, Hong Kong on October 21, 2016 at Cliftons Hong Kong, 508-509 Hutchison House, 10 Harcourt Road, Central, Hong Kong is set out in this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Subscription Agreement and the transaction contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

The ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares will be determined by way of poll by the Shareholders. Mr. Gao Dekang and his associates (namely New Surplus (22.72%), Kong Bo Investment Limited (35.58%), Kong Bo Development Limited (0.59%), Ms. Mei Dong (0.03%) and Ms. Gao Miaoqin (0.01%)) together held approximately 58.91% of the voting rights in the Company's general meeting as at the Latest Practicable Date, and will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

A form of proxy for use at the EGM is enclosed with this circular. 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 and Transfer Office, 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.

RECOMMENDATION

An Independent Board Committee comprising all INEDs has been set up to advise the Independent Shareholders in relation to the Loan Capitalization. Octal Capital has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Shareholders in relation to the Loan Capitalization.

The Directors (including the INEDs, having received and considered the advice from the Independent Financial Adviser) are of the opinion that the Loan Capitalization is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the 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 Octal Capital and the additional information set out in the appendix to this circular and the notice of EGM.

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



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)

September 28, 2016

To the Shareholders

Dear Shareholder,

**CONNECTED TRANSACTION
CAPITALIZATION OF THE JPY24 BILLION LOAN
UNDER SPECIFIC MANDATE**

We refer to the circular dated September 28, 2016 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 independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholder in connection with the Loan Capitalization, the details of which are set out in the letter from the Board contained in the Circular. Octal Capital has been appointed to advise us, the Independent Board Committee and the Shareholders in relation to the Loan Capitalization.

We wish to draw your attention to the letter from the Board and the letter from Octal Capital to us, the Independent Board Committee and the Shareholders containing its advice in respect of the Loan Capitalization, as set out in the Circular.

Having taken into account the principal factors and reasons considered by Octal Capital and its conclusion and advice, we consider that while the Loan Capitalization is not in the ordinary and usual course of business of the Group, the Loan Capitalization is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole; and the terms of the Subscription Agreement are determined on a fair and reasonable basis and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Loan Capitalization.

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

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



802-805, 8/F, Nan Fung Tower,
173 Des Voeux Road Central,
Hong Kong

September 28, 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION CAPITALIZATION OF THE JPY24 BILLION LOAN UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalization, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated September 28, 2016 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on September 6, 2016, the Company entered into the Subscription Agreement with New Surplus, pursuant to which New Surplus has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue an aggregate of 1,834,862,385 new Shares at the Subscription Price of HKD0.93 per Subscription Share by capitalizing the Loan in the principal amount of JPY24 billion owed by the Company to New Surplus, subject to the terms and conditions set out in the Subscription Agreement.

As New Surplus is a substantial Shareholder directly holding 2,010,000,000 Shares (representing approximately 22.72% of the total number of Shares in issue as at the Latest Practicable Date) and is a company of which its ordinary shares are indirectly wholly owned by Mr. Gao Dekang (the Chairman of the Company), who is the substantial Shareholder beneficially interested in approximately 58.90% of the total number of Shares in issue as at the Latest Practicable Date, New Surplus is a connected person of the Company under the Listing Rules. As such, the Loan Capitalization constitutes a connected transaction for the Company.

LETTER FROM OCTAL CAPITAL

We are not connected with the Directors, chief executives and substantial shareholders of the Company or New Surplus or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executives and substantial shareholders of the Company or New Surplus or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group and the Subscription Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, New Surplus and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Subscription Agreement, we have considered the following principal factors and reasons:

1. Background of and reasons for the Loan Capitalization

As set out in the Letter from the Board, 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. Almost all of the Group's revenue in the past financial years was generated in the PRC.

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Financial Information of the Group

	For the year ended March 31,		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	8,237,894	6,292,569	5,787,321
Gross profit	4,115,456	2,870,009	2,609,218
Gross profit margin	50.0%	45.6%	45.1%
Profit after taxation	702,338	137,923	261,833
Profit attributable to owners of the Company	694,704	132,197	280,942

For the financial year ended March 31, 2016, the revenue of the Group was approximately RMB5,787 million, representing a year-on-year decrease of 8.0%. The decrease in revenue was mainly due to the adjustment of sales network, preparation for the enhancement of down apparel business and the slowdown in the retail sector. The gross profit was reduced by 9.1% to RMB2,609 million. The finance cost had been decreased by 34.0% to RMB101 million. The profit attributable to the shareholders increased by 112.5% to RMB281 million. The increase was mainly driven by the reduction in selling and distribution expenses and administrative expenses, which in aggregated had been reduced by RMB400 million, due to adjusting the business strategies of the Group and implementing cost saving controls.

For the financial year ended March 31, 2015, the Group recorded revenue of approximately RMB6,293 million, representing an decrease of approximately 23.6%. The decrease was mainly due to the slowdown in domestic macroeconomic environment and unfavorable weather conditions as well as the Group's business reorganization to clear inventories and optimize the retail network. The gross profit was reduced by 30.3% to RMB2,870 million. The Group's finance cost had increased to RMB152.6 million by 80.0%. The profit attributable to the shareholders reduced by 81.0% to RMB138 million.

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The below table sets out (i) the audited net asset value (the “NAV”) per Share of the Company at March 31, 2016; (ii) the adjusted NAV per Share of the Company after drawdown of the Loan and (iii) the adjusted NAV per Share of the Company upon Completion:

	As at	After	
	March 31,	drawdown	Upon
	2016	of the Loan	Completion
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)	(unaudited)
Total assets	12,155,608	13,624,762	13,624,762
Total liabilities	4,703,303	6,172,457	4,703,303
NAV	7,452,305	7,452,305	8,921,459
No. of Shares	8,001,578,000	8,847,698,000	10,682,560,385
NAV per share (RMB)	0.93	0.84	0.84

Note: the following exchange rates are adopted for the calculation of the Loan in approximately RMB1,469,154,000.

- * USD 1 = JPY109
- * USD 1 = HKD7.75
- * RMB 1 = HKD1.1615

The audited total assets of the Company amounted to approximately RMB12,758 million, RMB12,489 million and RMB12,156 million as at March 31, 2014, 2015 and 2016 respectively. The audited total liabilities of the Company amounted to approximately RMB5,381 million, RMB5,075 million and RMB4,703 million as at March 31, 2014, 2015 and 2016 respectively. Total interest-bearing borrowings amounted to RMB3,259 million, RMB3,538 million and RMB3,394 million, representing 61%, 70% and 72% of the total liabilities as at March 31, 2014, 2015 and 2016 respectively. The gearing ratio (measured by total interest-bearing loan to total equity) is 0.44 time, 0.48 time and 0.46 times as at March 31, 2014, 2015 and 2016 respectively. As at March 31, 2016, the audited NAV per share of the Company was approximately RMB0.93. The amount of the Loan of JPY24 billion was not included in the audited NAV of the Company as at March 31, 2016.

After the Loan was drawn down on April 8, 2016, the adjusted NAV per Share of the Company as at March 31, 2016 was approximately RMB0.84. The adjusted NAV per share of the Company as at March 31, 2016 was approximately RMB0.84 upon Completion.

ITOCHU Corporation (“ITOCHU”)

The history of ITOCHU dates back to 1858. With approximately 120 bases in 63 countries, ITOCHU is engaging in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology, and finance, as well as business investment in Japan and overseas.

To improve its business platform, the Group built a more comprehensive investment platform to allow the Group to explore and attempt multiple areas for its future long-term

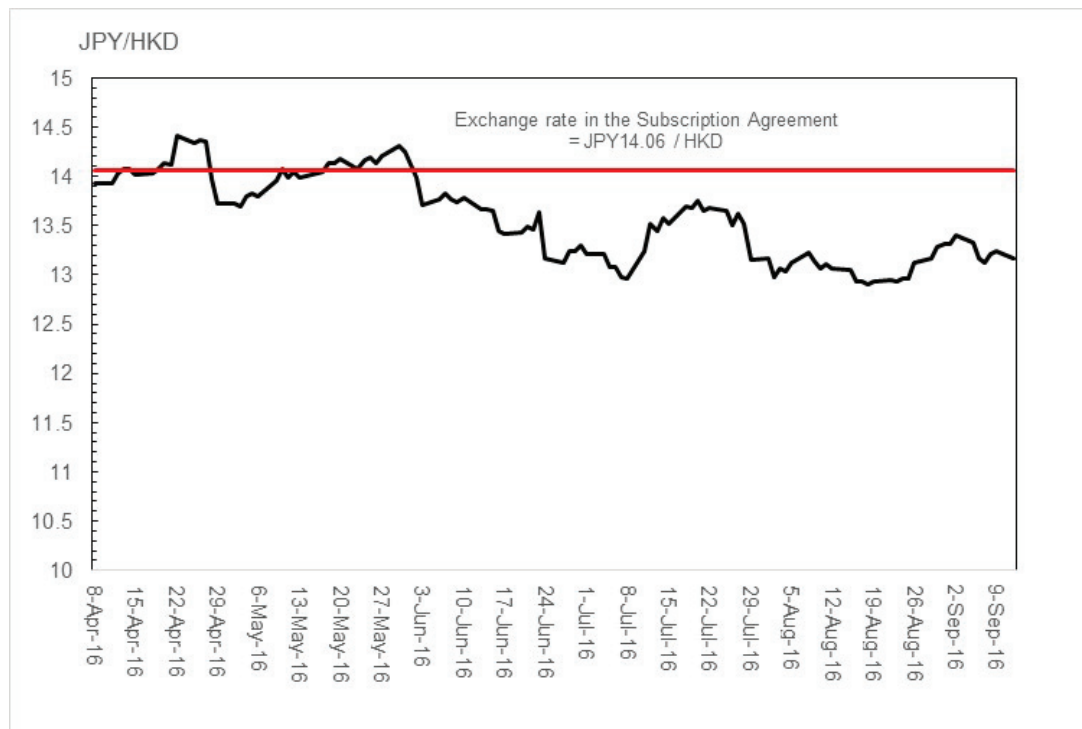
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development. In January 2016, the Group secured a one-year shareholder loan of JPY24 billion at a low interest rate from New Surplus. The Group aims to leverage ITOCHU's extensive experience in international apparel brands and make use of ITOCHU's international management experience to enhance the corporate management level and effectiveness of the Group.

ITOCHU has seconded professionals to the Company to assist in identifying areas for cooperation between the Company and ITOCHU. We noted from the internal correspondences that exploration of business development and cooperation are, including but not limited to, shifting of production to ITOCHU's factories in Southeast Asia region, procurement of fabric materials from ITOCHU's business units in the PRC and overseas sale channels etc. We concur with the Directors that, through such strengthened cooperation, the Company may not only consolidate its position as the largest down apparel enterprise in China, but also expand the non-down apparel business and strengthen its operational and management capabilities with a view to becoming a renowned integrated apparel enterprise in China.

JPY to HKD Exchange rate

For the purpose of assessing the exchange rate of JPY to HKD, the following chart shows the daily exchange rate of JPY to HKD since April 8, 2016, when the Loan was drawn down by the Group.



Source: Bloomberg

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The exchange rate between JPY per HKD1 has shown a general downward trend in 2016, reflecting the continuing appreciation of JPY during the period. The daily exchange rate of JPY per HKD ranged from approximately 12.90 to 14.41 from April 2016 to September 2016. As set out in the Subscription Agreement, the HKD equivalent of the Loan is based on an exchange rate of JPY14.06 per HKD, that is approximately HKD1,706 million. 1,834,862,385 new Shares will be issued on the capitalization of the Loan at the Subscription Price. However, if the market exchange rate as at September 6, 2016 of JPY13.17 per HKD is adopted and the loan will be approximately HKD1,822 million. The Loan Capitalization allows the Group to avoid the uncertainty of adverse fluctuation of JPY near the maturity date.

Pursuant to the facility agreement, the Company shall repay the Loan in full on the maturity date, being March 23, 2017, together with all accrued interest (at a compound interest rate of 2.5% per annum, whether or not paid, payable or capitalized) and any other amounts payable under the agreement. The amount of fund is agreed to be applied for acquisition of shares/equity interests in companies in relation to fashion, textile or apparel industry or related business, or capital protected debt financial investment issued by certain financial institutions or listed on certain recognized stock exchanges, whereas related information should be supplied to New Surplus before such acquisition or investment is made. JPY is the currency of account and payment for any sum due from the Company. The Company also agreed to certain financial covenants in particular to keep a minimum net cash balance.

We noted that except for approximately HKD82.35 million was applied for the acquisition of 70% equity interest in Buoubuou International Holdings Limited (as per the announcement of the Company dated July 8, 2016), the Loan has not been utilised as at the Latest Practicable Date.

As set out in the Letter from the Board, the Loan Capitalization can alleviate the loan repayment pressure of the Group and avoid unnecessary cash outflow from the Group. The Directors consider it is in the interests of the Company to preserve as much liquidity as possible to explore new business or investment opportunities that well match the Group's development (including but not limited to merger and acquisition of apparel-related businesses) as and when it arises. We further concur with the Directors that the Loan Capitalization would also save interest cost and avoid uncertainty of adverse fluctuation of JPY near maturity date.

2. Terms of the Loan Capitalization

(i) Share price performance and trading liquidity

The Subscription Price of HKD0.93 per Subscription Share was determined after arm's length negotiations between the Company and New Surplus. The Subscription Price represents:

- (a) a premium of approximately 30.99% over the closing price of HKD0.71 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;

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- (b) a premium of approximately 30.99% over the average closing price of HKD0.71 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Date of Subscription Agreement;
- (c) a premium of approximately 29.17% over the average closing price of HKD 0.72 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the Date of Subscription Agreement;
- (d) a premium of approximately 32.86% over the average closing price of approximately HKD0.70 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to the Date of Subscription Agreement; and
- (e) a premium of approximately 30.99% over the closing price of HKD0.71 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The NAV per share as at March 31 2016 was RMB0.93, which was equivalent to approximately HKD1.12 (based on the exchange rate of RMB1 = HKD1.2019). The Subscription Price represents a discount of 17% to the NAV as at March 31, 2016.

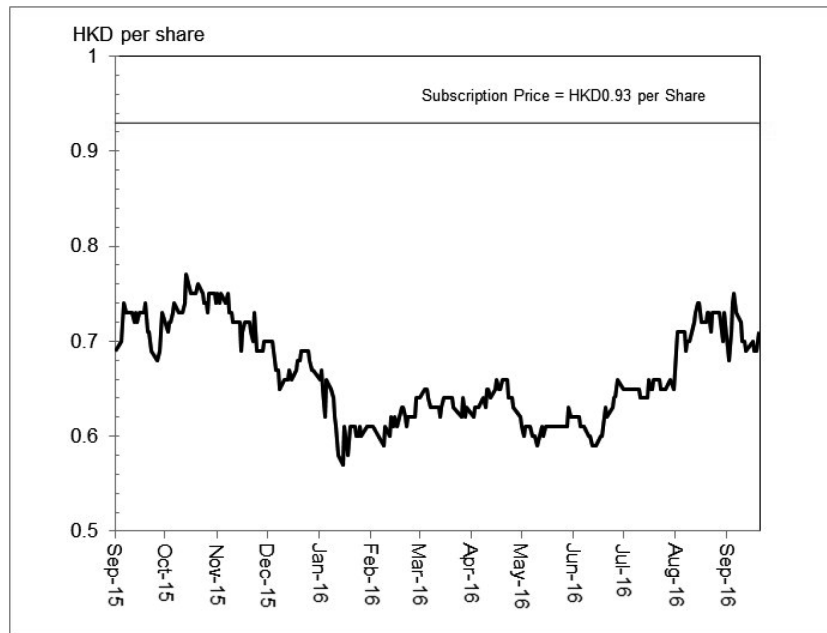
As shown above, the adjusted NAV per Share as at March 31, 2016 after drawdown of the Loan and upon Completion was RMB0.84 (equivalent to approximately HKD0.98) and RMB0.84 (equivalent to approximately HKD0.98) respectively. The Subscription Price therefore represents a slight discount of 5.1% and 5.1% thereto.

As shown in the graph below, the closing price of the Shares was trading at the level between HKD0.57 per Share and HKD0.77 per Share and the average closing price per Share was HKD0.67 during the Review Period. Having considered that the historical closing price per Share was trading below the NAV per share as at March 31, 2016, the adjusted NAV per Share as at March 31, 2016 after the drawdown of the Loan and upon Completion, we are of the view that the Subscription Price is acceptable.

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Share price performance

We have reviewed the closing price level of the Shares on the Stock Exchange during the 12-month period from September 1, 2015 to September 6, 2016 (being the Date of the Subscription Agreement), which is a commonly used tenure for analysis purpose, and further up to the Latest Practicable Date (the “**Review Period**”) as follows:



Source: Hong Kong Exchanges and Clearing Limited

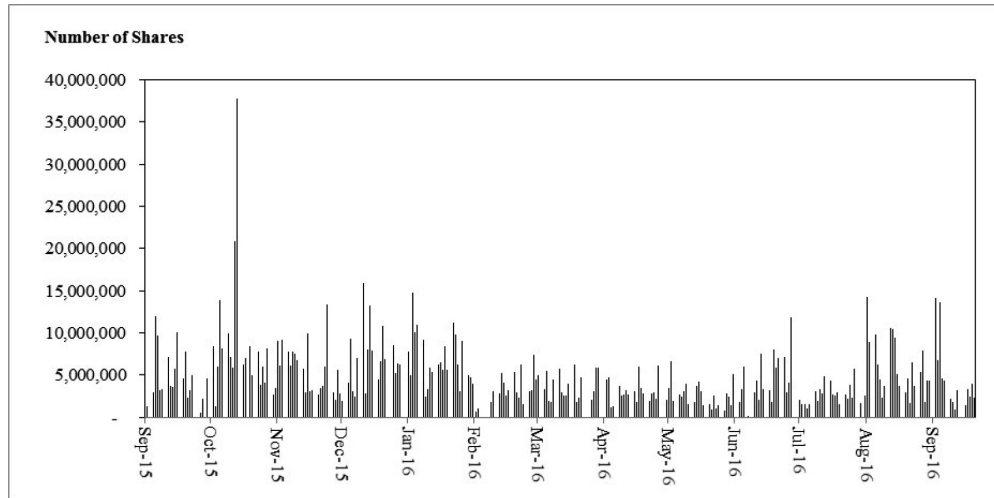
During the Review Period, the lowest closing price was HKD0.57 per Share recorded on January 18, 2016 and the highest closing price was HKD0.77 per Share recorded on October 16, 2015. The Shares had been traded below the Subscription Price of HKD0.93 per Share throughout the whole Review Period. The share price was fluctuating around the level of HKD0.72 per Share during the period from September 2015 to mid-November 2015. We note that the Company has issued a profit warning announcement on November 17, 2015 and the Share price began to fall afterwards. The declining trend of the Share price ended in mid-January 2016 and it reached the bottom level of HKD0.57 per Share on January 18, 2016. Then it remained stable at the level of HKD0.60 per Share until late June 2016 when the annual results announcement was issued and the Share price rebounded from HKD0.64 per Share on June 29, 2016 to HKD0.74 per Share on August 17, 2016. The Share price has remained stable afterwards.

The Subscription Price therefore represents a significant premium of approximately 63.16% over the lowest closing price per Share and approximately 20.78% over the highest closing price per Share during the Review Period.

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Liquidity

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Infocast

Month	Highest daily turnover (number of Shares)	Lowest daily turnover (number of Shares)	Average daily turnover (number of Shares)	Number of trading days with no turnover (days)	Percentage of average daily turnover over total number of Shares in issue (note 1) (%)	Percentage of average daily turnover over total number of Shares held by the public shareholders (note 2) (%)
2015						
September	12,032,000	554,000	4,911,101	18	0.06	0.14
October	37,810,000	1,332,000	9,023,824	20	0.10	0.26
November	13,336,000	2,666,000	5,878,636	21	0.07	0.17
December	15,914,600	1,952,000	6,434,144	22	0.07	0.19
2016						
January	14,800,000	2,474,000	7,324,806	20	0.08	0.21
February	6,280,000	684,000	3,301,555	18	0.04	0.10
March	7,408,000	1,814,000	3,850,986	21	0.04	0.11
April	6,150,000	1,118,000	3,279,518	20	0.04	0.10
May	6,678,000	836,000	2,533,928	21	0.03	0.07
June	11,892,000	148,000	4,401,762	21	0.05	0.13
July	5,708,000	1,094,000	2,725,232	20	0.03	0.08
August	14,296,000	1,644,000	5,795,402	22	0.07	0.17
September (up to the Latest Practicable Date)	14,084,000	896,000	4,065,210	16	0.05	0.13

Source: Infocast

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Notes:

1. Based on the total number of issued Shares of 8,847,698,000 Shares as at the Latest Practicable Date
2. Based on the total number of Shares held by the public shareholders of 3,449,597,466 Shares as at the Latest Practicable Date

During the Review Period, the average daily trading volume of the Shares as percentage of the total number of Shares in issue as at the Latest Practicable Date ranged from approximately 0.03% to 0.10% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public shareholders as at the Latest Practicable Date ranged from approximately 0.07% to 0.26%. During the period from September 2015 to September 2016, the highest daily average trading volume amounted to approximately 9.02 million Shares recorded in October 2015, only representing approximately 0.10% of the total number of Shares in issue and approximately 0.26% of the total number of Shares held by the public shareholders respectively. The highest average daily trading volume of the Shares occurred in October 2015. Therefore, we consider the liquidity of the Shares was generally thin during most of the time in the Review Period.

(ii) Comparison of Subscription Price with the Comparables

Price/earnings multiple

Price/earnings multiple is the most common approach adopted by the investment community in valuing profit-generating entities. For the purpose of assessing the reasonableness of the Subscription Price, we have identified nine companies which (i) are profit-making in the latest financial year; (ii) have market capitalization within the range of HKD1 billion and HKD10 billion, which is comparable to the Company's market capitalization of approximately HKD6.3 billion on the date of the Subscription Agreement (based on the closing share price of HKD0.71 per share and total 8,847,698,000 of issued shares); (iii) are listed on the Main Board of the Stock Exchange; and (iv) are principally engaged in, among others, trading and manufacturing of apparel and have its own brands. (the "**Industry Comparables**") for analysis. To the best of our knowledge, such list of Industry Comparables is an exhaustive list under these criteria and these Industry Comparables are fair and representative for comparison purpose. We have reviewed and tabulated below the details of the Industry Comparables:

Company Name (stock code)	Principal Business	Closing price as at Sept 6, 2016 (HKD)	Price/ earnings multiple (times)
China Fordoo (2399)	Manufacturing and wholesaling of menswear in China.	2.78	3.99
China Outfitters (1146)	Design, manufacturing, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear.	0.42	11.73
Glorious Sun (393)	Retailing, export and production of casual wear.	1.04	12.22
Shanghai La Chapelle (6116)	Designs, markets and sells apparel products with a focus on mass-market ladies' casual wear in PRC.	8.91	6.24

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Company Name (stock code)	Principal Business	Closing price as at Sept 6, 2016 (HKD)	Price/ earnings multiple (times)
Goldlion (533)	Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name; and investments in and development of properties.	3.11	6.55
Korador (3709)	Design, promotion, marketing and sales of high-end ladies-wear in the PRC.	10.66	22.97
China Lilang (1234)	Manufacturing and wholesaling of branded menswear and related accessories in the PRC.	4.71	7.83
Cosmo Lady (2298)	Designing, marketing and selling of intimate wear in the PRC.	3.27	9.95
Giordano (709)	Retail and distribution of basic and fashion apparel and accessories under the Giordano & Giordano Junior, Giordano Ladies and BSX brands.	4.31	15.90
	Mean		10.82
	Median		9.95
	Maximum		22.97
	Minimum		3.99
The Company (HKD)		0.71	17.29
Subscription Price (HKD)		0.93	22.65

Source: Hong Kong Exchanges and Clearing Limited and annual reports of the Market Comparables

Notes:

1. The price/earnings multiple of the Company and each Transaction Comparable is calculated by dividing the closing price as at September 6, 2016 by its earnings per share of the latest financial year.
2. The latest earnings per share is extracted from the latest published annual report.

We note that the minimum, maximum, mean and median of the price/earnings multiples of the Industry Comparables were approximately 3.99, 22.97, 10.82 and 9.95 respectively. The price/earnings multiple of the Company was approximately 17.29 based on the share price of HKD0.71 on September 6, 2016 and the earning multiple implied by the Subscription Price was approximately 22.65. The price/earnings multiple implied by the Subscription Price is therefore above the minimum, mean and median of the price/earnings multiple of the Industry Comparables. The higher price/earnings multiple implied by the Subscription Price demonstrates the confidence and support of New Surplus to the Group.

Market comparables on subscription of new shares

In addition to net asset value approach, we also consider it is worthwhile to assess the Subscription Price against the prevailing market trends and we have also identified a list of share subscriptions/placements (the “**Transaction Comparables**”) for raising funds using general or specific mandate as announced by companies listed on the Main Board of the Stock Exchange during the first seven months of 2016. To the best of our knowledge, we found 17 transactions that met the aforesaid criteria, which represented an exhaustive list. We consider that these Transaction Comparables under these criteria are

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fair and representative samples for comparison purpose and the terms of these Transaction Comparables within the first seven months of 2016 are appropriate benchmarks to reflect the recent market sentiment and risk appetite of the investment community.

For each of the 17 Transaction Comparables identified, we compared the premium/(discounts) of its subscription price/placing price over/(to) (a) the respective closing price as at the last trading day on/prior to the date of the corresponding announcement, (b) the average closing price for the last 5 consecutive trading days on/prior to the date of the corresponding announcement and (c) the average closing price for the last 10 consecutive trading days on/prior to the date of the corresponding announcement.

Date of announcement	Company name (Stock code)	Placing price (HKD)	Premium/ (discount) of the placing price over/ (to) the closing price of the shares on the date prior to the corresponding announcement (%)	Premium/ (discount) of the placing price over/ (to) the average closing price of the shares on the last 10 consecutive trading days prior to the date of the corresponding announcement (%)
13/7/2016	Artini (789)	0.0740	(24.50)	(22.50)
8/6/2016	BJ Sports & Ent (1803)	0.7000	(5.40)	N/A
8/6/2016	Capital Juda (1329)	2.7800	6.51	12.55
25/5/2016	O Luxe Hold (860)	0.3000	N/A	(7.98)
20/5/2016	China Green (904)	0.1000	(59.02)	N/A
19/5/2016	Sino Haijing (1106)	0.1000	(29.08)	(29.58)
17/5/2016	Newtimes Energy (166)	0.1540	(3.14)	(3.75)
27/4/2016	Fu Ji Catering (1175)	0.5400	0.00	N/A
27/4/2016	Hinsang Group (6893)	1.1800	(33.33)	N/A
12/4/2016	Victory City (539)	0.5200	(10.34)	(18.62)
16/3/2016	CST Mining (985)	0.1000	19.05	N/A
8/3/2016	Chi Kingstone (1380)	0.1000	(2.90)	(32.30)
25/2/2016	Jiangxi Copper (358)	7.8700	(1.99)	3.44
19/2/2016	Hangfat Ginseng (911)	0.0100	(85.10)	(92.30)
4/2/2016	Silverman HL (1616)	2.5000	(0.40)	3.73
14/1/2016	Rex Global (164)	0.0320	(84.08)	N/A
5/1/2016	Addchance (3344)	0.5600	(60.84)	(61.38)
	Mean		(23.41)	(22.61)
	Median		(7.87)	(18.62)
	Maximum		19.05	12.55
	Minimum		(85.10)	(92.30)
	Subscription Price (HKD)	0.9300	30.99	29.17

Source: Hong Kong Exchanges and Clearing Limited

From the above table, we note that the premium of the Subscription Price over the closing price on the date of the Subscription Agreement, the 10-day average closing prices up to and including the date of the Subscription Agreement exceed the high-end of the Transaction Comparables.

3. Financial effects of the Subscription on the Group

Cashflow

According to the annual report of the Company for the year ended March 31, 2016, the Group had cash and cash equivalents of approximately RMB4,654 million as at March 31, 2016, which had not yet included the Loan as it was drawn down on April 8, 2016. Upon Completion, the liquidity and cash position of the Group will be improved by JPY24 billion net of interest payment as the Loan Capitalization.

Earnings

The Loan carries a compound interest rate of 2.5% per annum pursuant to the facility agreement. Upon Completion, the Loan Capitalization will save the interest expenses to be incurred since the date of the Completion. Assuming the Completion is taken on the Long Stop Date (i.e. December 31, 2016), the Company will incur an interest expense of approximately JPY441 million (equivalent to approximately RMB27 million using the exchange rate of RMB 1= HKD1.1615, USD 1 = HKD7.75 and USD 1 = JPY109) and the minimum interest savings will be approximately JPY135 million (equivalent to approximately RMB8.3 million using the exchange rate of RMB 1= HKD1.1615, USD 1 = HKD7.75 and USD 1 = JPY109). The minimum interest savings of approximately JPY135 million is calculated based on a compound interest rate of 2.5% per annum from January 1, 2017 to the loan maturity date (i.e. March 23, 2017).

NAV

According to the annual report of the Company for the year ended March 31, 2016, the audited NAV of the Company as at March 31, 2016 was approximately RMB7,452 million which had not yet included the Loan as it was drawn down on April 8, 2016. Upon Completion, the NAV of the Company will be improved.

Gearing

According to the annual report of the Company for the year ended March 31, 2016, the gearing ratio (measured by total debt to the total equity) of the Group as at March 31, 2016 was approximately 0.46 time.

Upon Completion, the Group's total interest-bearing borrowings is assumed to be the same as March 31, 2016 while the total equity will be increased by approximately JPY24 million (equivalent to approximately RMB1,457 million using the exchange rate of RMB1= HKD1.1615 and HKD1 = JPY14.06), the gearing ratio will be improved to approximately 0.38 time.

Based on the above, the Loan Capitalization would have an overall positive effect on the financial position of the Group in terms of cashflow, earnings, net asset value, and gearing ratio upon Completion. On such basis, we are of the view that the Loan Capitalization is in the interests of the Company and the Shareholders as a whole.

LETTER FROM OCTAL CAPITAL

4. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholdings changes of the Company under the section headed “Shareholding Structure” as contained in the Letter from the Board, the shareholding of the existing public shareholders as at the Latest Practicable Date was approximately 38.99%. Pursuant to the Subscription Agreement, 1,834,862,385 new Shares, representing approximately 20.74% of the existing issued share capital of the Company as at the Latest Practicable Date and 17.18% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, will be issued to New Surplus. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 38.99% to 32.29% upon Completion. Having considered that (i) the Loan Capitalization will allow the Group to strengthen its corporation with ITOCHU through leveraging ITOCHU’s extensive experience in international apparel brands and its management experience to enhance the Group’s operational and management capabilities; and (ii) Upon Completion, the Loan Capitalization would have an overall positive impact on the financial position of the Group in terms of cashflow, earnings, net asset value and gearing ratio, we are of the view that the Loan Capitalization is in the interests of the Company and the Shareholders as a whole and therefore the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

Recommendation

After taking into account the above principal factors and reasons, in particular:

- (i) ITOCHU’s extensive experience in international apparel brands and make use of ITOCHU’s international management experience;
- (ii) the Subscription Price represents a premium over (a) the closing price of the Share on the date of the Subscription Agreement, (b) the average closing price of the Share for the last five, ten and thirty consecutive trading days immediately prior to the Date of Subscription Agreement and (c) the closing price of the Share as at the Latest Practicable Date;
- (iii) the price/earnings multiple implied by the Subscription Price lies above the minimum, mean and median of the price/earnings multiple of the Industry Comparables; and
- (iv) the premiums of the Subscription Price over the closing price of the Share on the date of the Subscription Agreement and the last 10-day average closing prices exceed the maximum premiums of the Transaction Comparables.

LETTER FROM OCTAL CAPITAL

We consider that the Subscription Agreement was entered into on normal commercial terms and its terms are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the ordinary resolution to be proposed at the EGM to approve the Loan Capitalization.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

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 was taken or deemed to have under such provisions of the SFO); or (b) to be entered 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 for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

(a) Long position in the Company

Name of Director	Nature of interest	Number of Shares/ Underlying Shares held	Approximate percentage of interest in the Company
Mr. Gao Dekang	Other (Note 1)	3,198,791,201	36.15%
	Deemed interest (Note 3)	2,763,697	0.03%
	Controlled corporation (Note 4)	3,844,862,385	43.46%
Ms. Mei Dong	Other (Note 1)	3,198,791,201	36.15%
	Beneficial owner (Note 2)	2,763,697	0.03%
	Deemed interest (Note 4)	3,844,862,385	43.46%
Ms. Gao Miaoqin	Beneficial owner (Notes 2,5,6)	12,203,697	0.13%
Ms. Huang Qiaolian	Beneficial owner (Notes 2,5,6)	13,963,697	0.15%
Mr. Rui Jinsong	Beneficial owner (Notes 2,5,6)	24,278,242	0.27%
Mr. Mak Yun Kuen	Beneficial owner (Notes 5,6)	22,400,000	0.25%

Notes:

- (1) These Shares were directly held by Kong Bo Investment Limited (as to 3,146,219,202 Shares) and Kong Bo Development Limited (as to 52,571,999 Shares). Each of Kong Bo Investment Limited and Kong Bo Development Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Trust, the trustee of which is Cititrust Private Trust (Cayman) Limited. The GDK Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Mr. Gao Dekang and Ms. Mei Dong is deemed to be interested in such Shares under the SFO.
- (2) Each of Ms. Mei Dong, Ms. Gao Miaoqin and Ms. Huang Qiaolian was granted 2,763,697 Shares respectively. Mr. Rui Jinsong was granted 1,878,242 Shares, under the share scheme over a vesting period. Ms. Gao Miaoqin had disposed of 1,760,000 Shares in 2013.
- (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, 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 Limited. Topping Wealth Limited is wholly owned by Mr. Gao Dekang. Accordingly, Mr. Gao Dekang is deemed to be interested in such shares under the SFO. Ms. Mei Dong is the spouse of Mr. Gao Dekang. Thus, she is deemed to be interested in the 2,010,000,000 Shares held by the controlled corporation of Mr. Gao Dekang under the SFO.
- (5) Each of Mr. Mak Yun Kuen, Mr. Rui Jinsong, Ms. Gao Miaoqin and Ms. Huang Qiaolian was granted 11,200,000 Shares, 11,200,000 Shares, 5,600,000 Shares and 5,600,000 Shares in August 2016 which were not yet vested and held by the Share Award Scheme Trustee.
- (6) Each of Mr. Mak Yun Kuen, Mr. Rui Jinsong, Ms. Gao Miaoqin and Ms. Huang Qiaolian was granted 11,200,000 options, 11,200,000 options, 5,600,000 options and 5,600,000 options in August 2016 which were not yet vested.

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 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
Cititrust Private Trust (Cayman) Limited	Trustee (<i>Note 1</i>)	3,198,791,201	36.15%
Kova Group Limited	Interest of controlled corporation (<i>Note 1</i>)	3,198,791,201	36.15%
Kong Bo Investment Limited	Corporate interest (<i>Note 1</i>)	3,146,219,202	35.56%
New Surplus	Beneficial interest (<i>Note 2</i>)	3,844,862,385	43.46%
	Party to s317 agreement (<i>Note 3</i>)	3,201,554,898	36.19%
Topping Wealth Limited	Interest of controlled corporation (<i>Note 2</i>)	3,844,862,385	43.46%
	Party to s317 agreement (<i>Note 3</i>)	3,201,554,898	36.19%
ITC SPC	Party to s317 agreement (<i>Note 4</i>)	7,046,417,283	79.64%
ITOCHU Corporation	Interest of controlled corporation (<i>Note 4</i>)	7,046,417,283	79.64%
	Party to s317 agreement (<i>Note 4</i>)	7,046,417,283	79.64%
ITOCHU Hong Kong Limited	Interest of controlled corporation (<i>Note 4</i>)	7,046,417,283	79.64%

Name of shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company
	Party to s317 agreement (Note 4)	7,046,417,283	79.64%
CIAM	Party to s317 agreement (Notes 5&6)	7,046,417,283	79.64%
CITIC International Financial Holdings Limited	Interest of controlled corporation (Notes 5&6)	7,046,417,283	79.64%
CITIC Limited	Interest of controlled corporation (Notes 5&6)	7,046,417,283	79.64%
CITIC Group Corporation	Interest of controlled corporation (Notes 5&6)	7,046,417,283	79.64%
Brandes Investment Partners, L.P.	Investment Management	554,458,350	6.26%
Kingford Investment Development Limited	Beneficial interest (Note 7)	814,542,857	9.21%
Yvonne Lee	Interest of controlled corporation (Note 7)	814,542,857	9.21%
Lion Group Holdings Private Limited	Interest of controlled corporation (Note 7)	814,542,857	9.21%
Lion Trust (Singapore) Limited	Interest of controlled corporation (Note 7)	814,542,857	9.21%
Kong Shenyuan	Interest of controlled corporation (Note 7)	814,542,857	9.21%
Kong Xin Development Limited	Interest of controlled corporation (Note 7)	814,542,857	9.21%
Cultivate Rise Limited	Interest of controlled corporation (Note 7)	814,542,857	9.21%

Notes

- These Shares were directly held by Kong Bo Investment Limited (as to 3,146,219,202 Shares) and Kong Bo Development Limited (as to 52,571,999 Shares). Each of Kong Bo Investment Limited and Kong Bo Development Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Trust, the trustee of which was Cititrust Private Trust (Cayman) Limited. The GDK Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Mr. Gao Dekang and Ms. Mei Dong is deemed to be interested in such Shares under the SFO.
- New Surplus is a company, 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 Limited. Topping Wealth Limited is wholly owned by Mr. Gao Dekang. Accordingly, Mr. Gao Dekang is deemed to be interested in such Shares under the SFO. Ms. Mei Dong is the spouse of Mr. Gao Dekang. Thus, she is also deemed to be interested in the 3,844,862,385 Shares (including the Subscription Shares) held by the controlled corporations of Mr. Gao Dekang under the SFO. Mr. Gao Dekang is a director of the New Surplus and Topping Wealth Limited.
- 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 3,201,554,898 Shares, in addition to the 3,844,862,385 Shares interested by them.
- ITOCHU Corporation was deemed to be interested in a total of 7,046,417,283 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 7,046,417,283 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 7,046,417,283 Shares.
- Each of CITIC Group Corporation, CITIC Limited, CITIC International Financial Holdings Limited and CIAM was deemed to be interested in a total of 7,046,417,283 Shares by virtue of its control over several corporations, according to the disclosure forms filed by them on September 12, 2016, 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	7,046,417,283
CITIC Limited	CITIC Polaris Limited	32.53	N	7,046,417,283
CITIC Glory Limited	CITIC Group Corporation	100.00	N	7,046,417,283
CITIC Limited	CITIC Glory Limited	25.60	N	7,046,417,283
CITIC Corporation Limited	CITIC Limited	100.00	N	7,046,417,283
China CITIC Bank Corporation Limited	CITIC Corporation Limited	64.63	N	7,046,417,283
CITIC New Horizon Limited	CITIC Corporation Limited	100.00	N	7,046,417,283
Extra Yield International Limited	CITIC New Horizon Limited	100.00	N	7,046,417,283
China CITIC Bank Corporation Limited	Extra Yield International Limited	0.02	N	7,046,417,283
Metal Link Limited	CITIC Limited	100.00	N	7,046,417,283
China CITIC Bank Corporation Limited	Metal Link Limited	0.58	N	7,046,417,283
CITIC International Financial Holdings Limited	China CITIC Bank Corporation Limited	100.00	N	7,046,417,283
CIAM	CITIC International Financial Holdings Limited	40.00	N	7,046,417,283
Feather Shade Limited	CIAM	100.00	N	7,046,417,283

7. Each of Yvonne Lee, Lion Group Holdings Private Limited, Lion Trust (Singapore) Limited, Kong Shenyuan, Kong Xin Development Limited and Cultivate Rise Limited was deemed to be interested in a total of 814,542,857 Shares by virtue of its direct or indirect control over Kingford Investment Development Limited, according to the disclosure forms filed by them on July 26, 2016, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of Shares
Lion Group Holdings Private Limited	Yvonne Lee	47.50	Y	814,542,857
Lion Trust (Singapore) Limited	Lion Group Holdings Private Limited	100.00	N	814,542,857
Kingford Investment Development Limited	Lion Trust (Singapore) Limited	45.00	N	814,542,857
Kong Xin Development Limited	Kong, Shenyuan	100.00	Y	814,542,857
Cultivate Rise Limited	Kong Xin Development Limited	100.00	N	814,542,857
Kingford Investment Development Limited	Cultivate Rise Limited	42.50	N	814,542,857

Save as disclosed above, as at Latest Practicable Date, none of the substantial shareholders 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 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 general meeting of the Company.

(C) Material Interests

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

(a) Framework Raw Material Purchase Agreement

The Company entered into a framework raw material purchase agreement dated September 15, 2007 with Mr. Gao Dekang, pursuant to which the Group agreed to purchase (on a non-exclusive basis) nanometre fabric from the Parent Group for a term of three years, renewable for another term of three years at the option of the Company. Under this agreement, the prices of nanometre fabric supplied by the Parent Group to the Group are comparable to those of similar products which the Parent Group supplies to any other independent third party customers.

The transactions contemplated under the Framework Raw Materials Purchase Agreement become de minimis transaction after the year ended March 31, 2016 and they are fully exempt from all disclosing and reporting requirements under Chapter 14A of the Listing Rules.

(b) Framework Integrated Service Agreement

The Company entered into a framework integrated service agreement dated September 15, 2007 with Mr. Gao Dekang, pursuant to which Mr. Gao Dekang procured the Parent Group to provide various ancillary services to the Group, which currently includes the provision of hotel accommodation, for a term of three years, renewable for another term of three years at the option of the Company. The framework integrated service agreement was entered into on terms no less favourable to the Group than terms available to independent third parties. The Company also served a notice of renewal to the Parent Group on April 6, 2016 to renew the agreement for another term of three years from September 15, 2016.

(c) Property Lease Agreement and its Supplemental Agreements

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 or staff dormitory.

The term of each lease granted under the property lease agreement is no more than 20 years. Under the property lease agreement, the Group may terminate a lease of any premise, by giving a 30-day prior notice, at any time prior to its expiry at its sole discretion and without penalty. The Parent Group, on the other hand, is not entitled to terminate any lease under the property lease agreement without the Group's consent. On March 11, 2010, the Company and Mr. Gao Dekang entered into the supplemental property lease agreement pursuant to which the Parent Group agreed to lease 5 additional premises to the Company for a term not exceeding 20 years from the date of the supplemental property lease agreement. On April 22, 2013, the Company and Mr. Gao Dekang entered into a further supplemental property lease agreement pursuant to which the Parent Group agreed to lease additional premises in the PRC to the Group from time to time for a term not more than three years from April 1, 2013. The rental payable under the property lease agreement and the supplemental property lease agreement 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 Company has served a notice of renewal to the Parent Group on April 6, 2016 to renew the agreement for another term of three years from September 15, 2016.

(d) Framework Manufacturing Outsourcing and Agency Agreement

The Company entered into the framework manufacturing outsourcing and agency agreement with Mr. Gao Dekang dated September 15, 2007, which was then further extended to a 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, for a term of three years, renewable for another term of three years at the option of the Company. The agreement has been renewed and further extended to September 14, 2017.

Save as disclosed above and save for the Subscription Agreement as detailed in this circular, 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 advisers 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, 2016, 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

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since March 31, 2016, being the date of the latest published audited financial statements of the Company.

5. CONSENTS

Octal 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:

Names	Qualifications
Octal Capital	A corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, Octal 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 and qualified accountant of the Company is Mr. Mak Yun Kuen, a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified 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 principal place of business in Hong Kong of the Company is Unit 5709, 57/F, The Center, 99 Queen's Road Central, Hong Kong.
- (d) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at principal place of business in Hong Kong of the Company at Unit 5709, 57/F, The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (a) the Subscription Agreement;
- (b) the Property Lease Agreement and its Supplemental Agreements;
- (c) the Framework Raw Material Purchase Agreement;
- (d) the Framework Integrated Service Agreement; and
- (e) the Framework Manufacturing Outsourcing and Agency Agreement.

NOTICE OF EGM



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 10:30 am, Hong Kong on Friday, October 21, 2016 at Cliftons Hong Kong, 508-509 Hutchison House, 10 Harcourt Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company. Capitalized terms used herein without definition shall have the same meanings as in the circular issued by the Company on September 28, 2016 (the “**Circular**”), unless the context otherwise requires:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the agreement dated September 6, 2016 entered into between the Company and New Surplus International Investment Limited (“**New Surplus**”) in relation to a loan capitalization by subscription of an aggregate of 1,834,862,385 new shares of the Company (the “**Subscription Shares**”) at a subscription price of HKD0.93 per share (the “**Agreement**”) (copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (the “**Loan Capitalization**”) be and are hereby, confirmed, ratified and approved;
- (b) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, Subscription Shares as a result of the Loan Capitalization, the directors of the Company be and is hereby authorised to allot and issue Subscription Shares to New Surplus credited or fully paid; and
- (c) any directors of the Company be and is hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she may determine to be appropriate, necessary or desirable to give effect to or in connection with the Loan Capitalization and the allotment and issue of the Subscription Shares and, subject to and in accordance with the applicable law and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating to the Loan Capitalization in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, September 28, 2016

NOTICE OF EGM

Notes:

1. Any Shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of his/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 of the Company 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 meeting 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 Shares, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be 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 notarially 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 meeting or any adjournment thereof.
4. In accordance with Chapter 14A of the Listing Rules, Mr. Gao Dekang and his associates are required to abstain from voting on the above ordinary resolution.
5. 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. 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.