
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)

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

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



A notice convening the EGM to be convened and held immediately after the conclusion of the annual general meeting of the Company at 10 a.m. on Friday, August 25, 2017 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages 33 to 34 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.

May 12, 2017

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DEFINITIONS

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

| | |
|-------------------------------|--|
| “Agreement” | the framework manufacturing outsourcing and agency agreement entered into between the Company and Mr. Gao Dekang dated September 15, 2007, in respect of which notice of renewal will be served by the Company to the Parent Group to extend the term up to September 14, 2020, pursuant to which the Group agrees to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis |
| “Announcement” | the announcement made by the Company dated March 28, 2017 |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors of the Company |
| “Company” | Bosideng International Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Directors” | the director(s) of the Company |
| “EGM” | an extraordinary general meeting of the Company to be held to consider and approve the renewal of the Agreement (including the proposed annual caps thereunder) |
| “Group” | the Company and its subsidiaries |
| “HKD” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent board committee comprising all the INEDs |

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 being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Agreement and the proposed annual caps thereunder |
| “Independent Shareholders” | Shareholders other than Mr. Gao Dekang and his associates and any other person who has a material interest in the Agreement |
| “INEDs” | the independent non-executive Directors, namely Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie |
| “Latest Practicable Date” | May 8, 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Manufacturing Companies” | Bosideng Corporation, Jiangsu Xuezhongfei Apparels Manufacturing Co., Ltd., Shandong Kangbo Industry Co., Ltd. and Jiangsu Kangxin Garment Co., Ltd., all of which are owned or controlled by Mr. Gao Dekang’s family |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Listing Rules |
| “Parent Group” | Mr. Gao Dekang and his associates, other than members of the Group |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| “Shareholders” | the shareholders of the Company |

DEFINITIONS

| | |
|------------------|---|
| “Shares” | ordinary shares of USD0.00001 each in the share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “USD” | United States dollar, the lawful currency of the United States of America |
| “%” | per cent |

LETTER FROM THE BOARD



波司登國際控股有限公司
Bosideng International Holdings Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3998)

Executive Directors:

Mr. Gao Dekang
*(Chairman and Chief Executive
Officer of the Company)*

Ms. Mei Dong

Ms. Gao Miaoqin

Ms. Huang Qiaolian

Mr. Mak Yun Kuen

Mr. Rui Jinsong

Mr. Gao Xiaodong

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

Independent Non-Executive Directors:

Mr. Dong Binggen

Mr. Wang Yao

Dr. Ngai Wai Fung

Mr. Lian Jie

May 12, 2017

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

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

The Company intends to renew the Agreement which will soon expire on September 14, 2017 and to obtain the new annual caps for the transactions contemplated thereunder for the three years ending on March 31, 2020 in order to comply with the Listing Rules.

LETTER FROM THE BOARD

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

CONNECTED PERSONS

The Parent Group

Mr. Gao Dekang (the Chairman and Chief Executive Officer of the Company) is the substantial shareholder of the Company beneficially interested in approximately 65.96% of the Company's issued share capital as at the Latest Practicable Date.

For so long as Mr. Gao Dekang remains a substantial shareholder of the Company, transactions between our Group and the Parent Group (including the transactions contemplated under the Agreement) constitute connected transactions for the Company under the Listing Rules.

FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

Scope of the Agreement

Pursuant to the Agreement, the Company has agreed to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis, which currently includes the Manufacturing Companies.

Under the Agreement, the Parent Group provides labour, factory, premises, necessary equipment, water and electricity for the processing of down apparel products. The Group provides the Parent Group with raw materials, product designs and specifications, and pays the Parent Group a processing fee based on the agreed production volume with a view to facilitating the Parent Group's manufacturing work.

In addition, the Parent Group also from time to time procures raw materials for the Group's original equipment manufacturing ("OEM") business from independent third party suppliers in the PRC in accordance with the Group's instructions. No agency fee is payable by the Group to the Parent Group and the raw materials procured are used solely for the manufacturing of the Group's OEM products. Members of the Group and the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the Agreement during the term thereof.

LETTER FROM THE BOARD

Fees

The processing fee shall be payable in cash by the Group within 30 days after the completion of processing of each batch of down apparel products. The information required for estimation of the costs to be incurred for the processing services is transparent, as the Group can easily make reference to the prevailing market information relating to labour costs, rental of similar premises and the utilities expenses. The Group is also able to have access to/request the information of the monthly salary, rental, utilities expenses incurred by the Parent Group in the previous months for estimation of the cost to be incurred for each batch of down apparel products.

After determining the costs to be incurred for the relevant batch of down apparel products of the Parent Group and the applicable mark-up rate of not more than 10% (depending on place, quantity and the turnaround time of the processing services required) (the “**Estimated Costs**”), the Company will then invite independent third parties to consider if they are able to provide the processing services on similar terms (i.e. quality, turnaround time, payment terms) at a fixed price (being the Estimated Cost) or any lower price they can offer.

The non-exclusive arrangement under the Agreement allows the Group to appoint other outsourcing manufacturers for the processing of down apparel products if the terms offered by the Parent Group are not the most favourable to the Group. Should the terms offered by independent manufacturers be lower than the Estimated Costs with other terms similar to or better than those offered by the Parent Group, the Group will then appoint the other outsourcing manufacturers for the processing of down apparel products.

Term

The Agreement has an initial term of three years from September 15, 2007 to September 14, 2010 and has been further renewed and extended to September 14, 2017.

Subject to compliance by the Group the relevant requirements applicable to continuing connected transactions under the Listing Rules, the Agreement is renewable at the option of the Company for another term of three years or such other term as agreed by the parties by giving at least three months’ notice prior to the expiry of the current term. Subject to the approval by the Independent Shareholders in the EGM of the renewal of the Agreement (including the proposed annual caps thereof), the Company will serve the notice to the Parent Group indicating that it intends to renew the Agreement for a further term of three years up to September 14, 2020.

LETTER FROM THE BOARD

Historical figures and proposed annual caps

Set out below are the aggregate fee paid by the Group to the Parent Group and the historical annual caps for each of the years ended March 31, 2015, 2016 and 2017:

| | For the year ended March 31, | | | | | |
|-------------------------------|-------------------------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| | 2015 | | 2016 | | 2017 | |
| | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> |
| | Actual fees | Historical Cap | Actual fees | Historical Cap | Actual fees | Historical Cap |
| Fees paid under the Agreement | 694.0 | 770.0 | 688.7 | 950.0 | 647.5 | 1,150.0 |

The proposed annual caps for each of the three years ending March 31, 2018, 2019 and 2020, respectively, are set out below:

| | For the year ending March 31, | | |
|----------------------|--------------------------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 |
| | <i>RMB (million)</i> | <i>RMB (million)</i> | <i>RMB (million)</i> |
| Proposed annual caps | 950.0 | 1,150.0 | 1,380.0 |

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

- (a) the historical figures of the relevant transactions;
- (b) the expected increase in prices for the receipt of similar services from third party contract manufacturers over the next three years, in particular, the increase of manufacturing fees as a result of the projected increase in labour costs of approximately 7.5% per annum;
- (c) the continuous adoption of the stringent control in inventory and immediate stock replenishment strategy of the Group which will increase the manufacturing costs of the other independent manufacturers and thus the Group's reliance on the manufacturing services of the Parent Group (based on a projected growth rate of approximately 10% for orders to be placed with the Parent Group for the year ending March 31, 2018), which can be more flexible in entertaining the Group's order request in terms of smaller quantity and quicker turnover time, as there are not many independent manufacturers who will be willing or capable to take up such manufacturing order at the Estimated Costs (as defined above) as requested by the Group;
- (d) the projected growth in the estimated demand for the Group's branded down apparel products and other OEM products of approximately 20% and 5% per annum, respectively based on the expected market conditions and potentials;
- (e) the inclusion of a buffer of approximately 15% per annum for the estimated amount of the services required by the Group under the Agreement so as to accommodate any unexpected increase in the aforesaid transaction volume amount (as a result of any unexpected increase in market demand for the Group's down apparel products) or unexpected increase in the cost of provision of the services as contemplated under the Agreement;

LETTER FROM THE BOARD

- (f) taking into account of (i) the historical proportion of the actual fee of the branded down apparel products and OEM products; (ii) the estimated increase in the processing fee by 7.0% per year; (iii) the quantity of branded down apparel products and OEM orders is anticipated to grow at 20% per year and 5% per year, respectively; (iv) the quantity of orders to be placed with the Parent Group will increase by 10%, the estimated fees of branded down apparel and the OEM products will increase by approximately 40% and 23%, respectively; and
- (g) based on the factors stated under sub-paragraph (f) above, except for the 10% increment of orders to be placed with the Parent Group, the proposed annual caps for the two years ending March 31, 2019 and 2020 will increase by approximately 20% per year.

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

Implementation agreements

Members of the Group and the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the Agreement during the term thereof. Each implementation agreement will set out the details of the manufacturing services required, and the specifications, quantities, prices and other relevant terms thereof. Any such implementation agreements shall be within the ambit of the Agreement and the relevant annual caps in accordance with the relevant Listing Rules accordingly.

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

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

1. a detailed cost calculation will be carried out through the Company's large scale computerized automated system with pre-set technology parameters and cost estimation formulas with reference to the cost of materials, products and labors, etc for cost to be incurred for the relevant batch of down apparel products by the Parent Group will be determined by a number of internal departments of the Company;
2. after the Estimated Cost has been determined, the Company will then invite at least two to three independent third parties to consider if they are able to provide the processing services on similar terms (i.e. quality, turnaround time, payment terms) at a fixed price (being the Estimated Cost) or any lower price they can offer. Such quotations will be reviewed and evaluated from both the technical and commercial perspectives by qualified personnel of the Group (those personnel who are independent from the Parent Group and familiar with information on processing fees

LETTER FROM THE BOARD

and costs of raw materials and have a good understanding of the suppliers, in particular the general manager of the cost control management centre of the Company) and compared against the Estimated Cost quoted by the Group, so as to ensure the processing services provided by the Parent Group will only be used if the price and terms offered are competitive and comparable to those offered by independent third parties.

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

In addition, the INEDs and the auditor of the Company will on a regular basis be provided with the (i) Agreement; (ii) agreements entered into between the Group and independent third parties for the processing of the same type of down apparel products; and (iii) fee quotations provided by independent third parties for the processing of the same type of down apparel products, for review and comparison purpose. The INEDs will also review and compare the relevant payment terms, payment method and price payable under these agreements to ensure that the transactions contemplated under the Agreement are conducted on normal commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Agreement are conducted in accordance with the terms of the Agreement. Based on the above, the Directors, including the INEDs, are of the view that the procedures adopted by the Group to govern transactions contemplated under the Agreement could ensure that the pricing mechanism will be strictly adhered to and the transactions contemplated under the Agreement could be conducted under normal commercial terms and not prejudicial to the interest of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE AGREEMENT

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

The renewal of the transactions contemplated under the Agreement will enable the Group to continue to use the manufacturing services of the Parent Group, take advantage of the quality assurance of the Parent Group in the field of down apparel manufacturing over the past years and the increasing customer requirements for improved quality of down garments in recent years and the specific demand from the OEM customers of the Group for the down apparel products to be manufactured by the Parent Group, so as to increase its competitiveness.

The Directors (including the INEDs, having received and considered the advice from the Independent Financial Adviser) are of the opinion that the terms of the Agreement (including the proposed annual caps thereunder) are fair and reasonable and that the renewal of the

LETTER FROM THE BOARD

Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms or better, so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Mr. Gao Dekang, Ms. Mei Dong (the spouse of Mr. Gao Dekang), Ms. Gao Miaoqin (the cousin of Mr. Gao Dekang) and Mr. Gao Xiaodong (the son of Mr. Gao Dekang), all of whom are Directors, have abstained from voting on the board resolutions approving the renewal of the Agreement (including the proposed annual caps thereof).

EGM

The applicable percentage ratios under Chapter 14A of the Listing Rules, in respect of transactions contemplated under the Agreement is expected to be more than 5% on an annual basis and the maximum annual consideration is more than HKD10 million. Accordingly, the transactions contemplated under the Agreement is required to be subject to Independent Shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

A notice convening the EGM to be held immediately after the conclusion of the annual general meeting of the Company at 10 a.m. on Friday, August 25, 2017 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, 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 renewal of the Agreement (including the proposed annual caps thereunder).

The ordinary resolution to be proposed at the EGM to approve the renewal of the Agreement (including the proposed annual caps thereunder) will be determined by way of poll by the Shareholders. Mr. Gao Dekang and his associates (namely New Surplus International Investment Limited (35.99%), Kong Bo Investment Limited (29.45%), Kong Bo Development Limited (0.49%), Ms. Mei Dong (0.03%) and Ms. Gao Miaoqin (0.01%)) together held approximately 65.97% of the voting rights in the Company's general meeting as at the Latest Practicable Date, will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the renewal of the Agreement (including the proposed annual caps thereunder).

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.

LETTER FROM THE BOARD

RECOMMENDATION

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

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

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

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,
For and on behalf 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)

May 12, 2017

To the Shareholders

Dear Shareholder,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated May 12, 2017 issued by the Company to its Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We, being the INEDs, have been appointed as members of the Independent Board Committee to advise the Shareholders in connection with the renewal of the Agreement (including the proposed annual caps thereunder), 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 renewal of the Agreement (including the proposed annual caps thereunder).

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 renewal of the Agreement (including the proposed annual caps thereunder), 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 the renewal of the Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms or better, that the terms of the Agreement (including the proposed annual caps thereunder) are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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

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,
88 Connaught Road Central,
Hong Kong

May 12, 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Framework Manufacturing Outsourcing and Agency Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated May 12, 2017 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised 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, the Board resolved to recommend to the Independent Shareholders to vote in favour of the ordinary resolution to renew the Agreement, which will soon expire on September 14, 2017, and to obtain the annual caps for the transactions contemplated thereunder for three years ending on March 31, 2020 in order to comply with the Listing Rules.

The Chairman and the Chief Executive Officer of the Group is Mr. Gao Dekang who is the substantial shareholder of the Company beneficially owned 65.96% of the Company’s issued share capital as at the Latest Practicable Date. For so long as Mr. Gao Dekang remains a substantial shareholder of the Company, the transactions contemplated under the Agreement constitute connected transactions for the Company.

As at the Latest Practicable Date, we, Octal Capital Limited, are not connected with the Directors, chief executives and substantial shareholders of the Company 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.

LETTER FROM OCTAL CAPITAL

During the last two years, Octal Capital Limited has been appointed as the independent financial adviser in respect of the connected transaction of capitalization of the JPY24 billion loan under specific mandate. Details of such appointment are set out in the circular of the Company dated September 28, 2016. Apart from the normal professional fees paid to us in connection with the aforesaid appointment, no arrangement exists whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

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 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 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 Agreement, we have considered the following principal factors and reasons:

1. Background and information of the Group

The Group is principally engaged in research, design and development, raw materials procurement, outsourced manufacturing, and marketing and distribution of branded down apparel products, original equipment manufacturing (the “OEM”) products and non-down apparel products in the PRC. Except for the Group’s store in London (which had been closed in January 2017), all of the Group’s revenue in the three financial years ended March 31, 2016 and the six months ended September 30, 2016 were generated in the PRC.

LETTER FROM OCTAL CAPITAL

Financial Information of the Group

| | For the year ended March 31 | | | For the six months ended September 30 | |
|------------------------|------------------------------------|------------------------------------|------------------------------------|--|--------------------------------------|
| | 2014 | 2015 | 2016 | 2015 | 2016 |
| | <i>RMB'000</i> <i>(audited)</i> | <i>RMB'000</i> <i>(audited)</i> | <i>RMB'000</i> <i>(audited)</i> | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(unaudited)</i> |
| Revenue from: | | | | | |
| Branded down | | | | | |
| apparel business | 6,056,663 | 4,079,842 | 3,977,197 | 1,210,850 | 1,450,203 |
| OEM management | | | | | |
| business | 880,517 | 1,201,806 | 983,980 | 959,691 | 664,290 |
| Non-down apparel | | | | | |
| business | 1,300,714 | 1,010,921 | 826,144 | 393,205 | 452,170 |
| | | | | | |
| Total revenue | 8,237,894 | 6,292,569 | 5,787,321 | 2,563,746 | 2,566,663 |
| Gross profit | 4,115,456 | 2,870,009 | 2,609,218 | 924,325 | 1,010,918 |
| Gross profit margin | 50.0% | 45.6% | 45.1% | 36.1% | 39.4% |
| Profit after taxation | 702,338 | 137,923 | 261,833 | 131,526 | 141,542 |
| Profit attributable to | | | | | |
| equity shareholders | | | | | |
| of the Company | 694,704 | 132,197 | 280,942 | 130,699 | 157,177 |

Source: Annual Reports and Interim Reports of the Company

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 approximately 8.0%. The decrease in revenue was mainly due to the adjustment of sales network, the preparation for the enhancement of down apparel business and the weak domestic demand in the PRC. The gross profit was reduced by approximately 9.1% to approximately RMB2,609 million. The profit attributable to the equity shareholders increased by approximately 112.5% to approximately RMB281 million, mainly driven by the reduction in selling and distribution expenses and administrative expenses, which in aggregate had been reduced by approximately 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 a year-on-year 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 approximately 30.3% to approximately RMB2,870 million. The Group's finance cost had increased by approximately 80.0% to approximately RMB153 million. As a result, the profit attributable to the equity shareholders reduced by approximately 81.0% to approximately RMB132 million.

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During the six months ended September 30, 2016, the Group recorded revenue of approximately RMB2,567 million, representing a slight increase of approximately RMB3 million or 0.11% compared to the same period of 2015. The gross profit increased from RMB924 million for the six months ended September 30, 2015 to RMB1,011 million for the six months ended September 30, 2016. The gross profit margin also increased from 36.1% to 39.4%. The revenue from down apparel segment increased by approximately RMB239 million to approximately RMB1,450 million due to the launch of new product series, off-seasonal sales and clearance of inventories. The revenue of the OEM management segment decreased by approximately RMB295 million to approximately RMB664 million because of the loss of some OEM orders from customers who are looking for factories with multinational production capabilities. The revenue of the non-down apparel segment increased by approximately RMB59 million to approximately RMB452 million due to the adjustment of sales channels and the clearance of inventories.

The improvement in gross profit margin was mainly attributable to the change in sale mix where the proportion of higher profit margin orders, such as the high-end velvet down series, had increased.

The profit attributable to the equity shareholders of the Company for the six months ended September 30, 2016 was RMB157 million, representing an increase of approximately RMB26 million from the same period of last year. The increase was mainly driven by the improvement in gross profit and the absence of impairment loss on goodwill, and was partially offset by the increase in the net finance cost and the share of loss of an associate.

2. The Framework Manufacturing Outsourcing and Agency Agreement

The principal terms of the Agreement are summarized below:

Parties: (i) the Company

(ii) Mr. Gao Dekang

Terms: The Agreement has an initial term of three years from September 15, 2007 to September 14, 2010 and has been further renewed and extended to September 14, 2017.

Subject to the compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the Agreement is renewable at the option of the Company for another term of three years or such other terms as agreed by the parties by giving at least three months' notice prior to the expiry of the current term. Subject to the approval by the Independent Shareholders at the EGM of the renewal of the Agreement, the Company will serve the notice of the Parent Group indicating that it intends to renew the Agreement for a further term of three years up to September 14, 2020.

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Scope of services: Under the Agreement, the Company has agreed to outsource its manufacturing process of down apparel on a non-exclusive basis to the Parent Group. The manufacturing process is currently outsourced to the Manufacturing Companies.

The Parent Group provides labour, factory, premises, necessary equipment, water and electricity for the processing of down apparel products. The Group provides the Parent Group with raw materials, product designs and specifications.

The Parent Group also procures raw materials for the Group's OEM business from the independent third party suppliers in the PRC in accordance with the Group's instructions. The raw materials are solely used for the manufacturing of the Group's OEM products.

Fees: The processing fee includes the costs to be incurred for the relevant batch of down apparel products by the Parent Group plus the applicable mark-up rate of not more than 10% (the "**Estimated Cost**"). The applicable mark-up rate is dependent on place, quantity and turnaround time of the processing services.

The processing fee shall be payable in cash by the Group within 30 days after the completion of processing of each batch of down apparel products.

No agency fee is payable by the Group to the Parent Group in relation to the procurement of raw materials for the OEM business.

To estimate the cost to be incurred for the processing services, the Group can make reference to the prevailing market information in relation to the labour costs, rental of similar premises and the utilities expenses. The Group is also able to request the Parent Group to provide the monthly salaries, rental and utilities expenses incurred by the Parent Group in the previous months for estimation of the cost to be incurred for each batch of down apparel products.

We understand from the management of the Company that the Group also engages other independent third parties for the manufacturing of down apparel products at a lower production cost as compared to those offered by the Parent Group and the Group will continue to engage other independent third parties as long as they are able to offer favorable terms to the Group. We have reviewed and compared some sample transactions entered into between the Group and the Parent Group, and those entered into between the Group and other independent third parties. We noted that the processing fee charged to the Group by the Parent Group were no less favorable than those offered to the Group by the independent third parties.

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The non-exclusive arrangement under the Agreement allows the Group to outsource its production process to other independent manufacturers if the terms of the Parent Group are not most favorable to the Group. The non-exclusivity term of the Agreement provides flexibility to the Group to choose an outsourcing manufacturer which provides favorable trading terms to the Group and the Group has no procurement commitments with the Parent Group under the Agreement.

3. Reasons for the renewal of the Agreement

As set out in the Letter from the Board, the Agreement will expire on September 14, 2017 and the renewal of the Agreement for a further term of three years up to September 14, 2020 will avail the Group with the manufacturing services from the Parent Group. The outsourcing arrangement with the Parent Group has been commenced from 2007 and the Parent Group has an in-depth understanding on the Group's production requirements and quality control procedures. The Group can take advantage of the quality assurance of the Parent Group in the field of down apparel manufacturing over the past years so as to meet the increasing quality requirements from the customers and the specific demand from the OEM customers for the down apparel products.

We understand from the management of the Company that the Manufacturing Companies are specialized in the apparel manufacturing on a contractual basis for the Group as well as its third party customers and are not involved, whether directly or indirectly, in any stage of our non-outsourced supply chain. In particular, the Manufacturing Companies are not involved in the OEM management business which generally includes marketing, export trading, trading coordination and OEM export client relationship management. As such, the businesses of the Manufacturing Companies and the Group did not overlap.

As mentioned in the interim report for the six months ended September 30, 2016, the Group is facing the customers' demands for high quality down apparel products. The Group introduced the velvet series of high-end down apparel products and the proportion of products with higher profit margins were increased. The Group also launched Fabio De Bianco product series designed by Fabio De Bianco, the former Moncler chief menswear designer and the Group is developing a new product segment of apparel products comparable to internationally renowned brands. The Group also placed a lot of effort to adjust sales network of down apparel. The total number of retail outlets of the Group's down apparel business reduced from 5,271 as at March 31, 2016 to 4,822 as at September 30, 2016, representing a net reduction of 499. The Group also clears inventories and maintains strict production plan to avoid unnecessary inventories during the past two financial years and the latest interim period.

In order to continuously carry out the above-mentioned business strategies, the Group should partner with a reliable manufacturing contractor which is able to (i) provide high quality of down appeals; (ii) meet the special demands from customers; and (iii) minimize the production time and respond quickly to the change in the fashion trend. In light of the specialization of the Parent Group in the manufacturing process of down apparel and the long term cooperation between the Group and the Parent Group in the past years, the Parent Group

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is capable to maintain its quality in the field of down apparel manufacturing to meet the increasing requirements of high-end down apparel products and the specific demand from the OEM customers of the Group for down apparel products. Since the Group and the Parent Group have been working on the manufacturing process together for over 10 years, they have in-depth understanding on each other's business model and working practice, especially the Parent Group is capable to meet the strict quality requirements of the Group and has the flexibility to adjust its production plan to fit in the Group's changing sales network and the immediate stock replenishment policy.

Having considered the long term cooperation and the difference in business nature between the Group and the Parent Group as well as the Group's latest business strategies, we concur with the Company's view that the renewal of the Agreement is in the interests of the Company and its Shareholders as a whole.

4. Proposed annual caps of the transactions contemplated under the Agreement

The table below sets out the proposed annual caps for each of the years ending March 31, 2018, 2019 and 2020, respectively.

| | For the year ending March 31 | | |
|----------------------|-------------------------------------|------------------|------------------|
| | 2018 | 2019 | 2020 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | <i>(million)</i> | <i>(million)</i> | <i>(million)</i> |
| Proposed annual caps | 950 | 1,150 | 1,380 |

As set out in the Letter from the Board, the proposed annual caps are primarily determined based on the following:

- (a) the historical figures of the relevant transactions;
- (b) the expected increase in prices for receipt of similar services from third party contract manufacturers over the next three years, in particular, the increase of manufacturing fees as a result of the projected increase in labour costs of approximately 7.5% per annum;
- (c) the continuous adoption of the stringent control in inventory and immediate stock replenishment strategy of the Group which will increase the manufacturing costs of the other independent manufacturers and thus the Group's reliance on the manufacturing services of the Parent Group (based on a projected growth rate of approximately 10% for orders to be placed with the Parent Group for the year ending March 31, 2018); which can be more flexible in entertaining the Group's order request in terms of smaller quantity and quicker turnover time, as there are not many independent manufacturers who will be willing or capable to take up such manufacturing orders at the costs requested by the Group;

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- (d) the projected growth in the estimated demand for the Group's branded down apparel products and other OEM products of approximately 20% and 5% per annum respectively based on the expected market conditions and potentials; and
- (e) the inclusion of a buffer of approximately 15% per annum for the estimated amount of the services required by the Group under the Agreement so as to accommodate any unexpected increase in the aforesaid transaction volume (as a result of any unexpected increase in market demand for the Group's down apparel products) or unexpected increase in the cost of provision of the services as contemplated under the Agreement.

In order to assess the reasonableness of the proposed annual caps, we have considered the labour cost in the manufacturing industry in the PRC. According to the National Bureau of Statistics of China, the table below shows the average annual salary of each worker in the manufacturing industries in the PRC between 2012 and 2015.

| Year | 2012 | 2013 | 2014 | 2015 |
|---|-------------|-------------|-------------|-------------|
| Average annual salary of each worker in the manufacturing industries (in RMB) | 41,650 | 46,431 | 51,369 | 55,324 |
| Annual growth rate | | 11.5% | 10.6% | 7.7% |
| Compound annual growth rate from 2012 to 2015 | | | | 9.9% |

Source: National Bureau of Statistics of China (<http://data.stats.gov.cn>)

We note that the average annual salary of each manufacturing worker maintains an upward trend and represents a compound annual growth rate from 2012 to 2015 by approximately 9.9%. The 2015 annual salary increment is 7.7% on average. The management of the Company provided the historical production cost analysis and we noted that the staff cost accounted for approximately 90% of the total production cost because the manufacturing process is labor-intensive. Since the staff cost is a key driver of the manufacturing costs, the manufacturing costs will move in line with the staff cost. The management of the Company is of the view that the annual salary of a manufacturing worker will be increased by 7.5% per annum. Therefore the manufacturing costs are expected to increase by 7% per annum in the coming three years.

Moreover, the revenue growth in branded down apparel business has been improved recently. During the six month period ended September 30, 2016, the revenue from the branded down apparel business was approximately RMB1,450 million, representing an increase by approximately RMB239 million or 19.8% as compared to the same period of 2015. The revenue growth was driven by the introduction of new product series, the off-seasonal sales and re-branding of "Bosideng". The management of the Company mentioned that the number of retail outlets was approximately 4,822 as at 30 September 2016 and the retail network will maintain stable in the foreseeable future. Taking into account (i) the recent improvement in the branded down apparel business; (ii) the launch of high-end products; and (iii) the stable retail network, the quantity of branded down apparel is anticipated to grow at approximately 20% per year.

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During the six months ended September 30, 2016, the revenue derived from the OEM management business was approximately RMB664 million, representing a decrease of 31% from the same period of the last financial year. The Group lost some OEM orders because some OEM customers tend to place orders to factories with multinational production capabilities. In light of the confirmed orders of April 2017 higher than that of April 2016 by at least 5%, the management of the Company anticipates that the OEM orders of down apparel will grow slightly at 5% per year.

During the year ended March 31, 2015, approximately 26% and 74% of the down apparel in term of quantity were produced by the Parent Group and the independent manufacturers, respectively. During the year ended March 31, 2016, approximately 32% and 68% of the down apparel in term of quantity were produced by the Parent Group and the independent manufacturers, respectively. During the year ended March 31, 2017, approximately 34% and 66% of the down apparel, in term of quantity, were produced by the Parent Group and independent manufacturers, respectively. The quantity of orders produced by the Parent Group for the two years ended March 31, 2017 had been increased by 5% and 10%, respectively. We noted that the Group placed higher reliance on the Parent Group's manufacturing services. The management of the Company explained that the Group adopted a stringent control in inventory and shortened the stock replenishment time in order to keep the inventory at an optimal and minimal level. As such, the Group requests the outsourcing manufacturers to take orders in smaller quantities with a shorter production timeframe at a comparable processing fee of the Parent Group. We understand from the management of the Company and the sample quotations provided by the Company that the processing fees charged by the Parent Group are usually lower than that charged by the independent manufacturers. The management of the Company anticipates that the Group may not be able to engage independent manufacturers who are willing to take up such orders, especially at a lower processing fee, as requested by the Group, hence, the quantity of orders to be placed with the Parent Group will increase by 10% during the year ending March 31, 2018. We concur with the Directors that, taking a prudent approach, the reliance on the manufacturing services of the Parent Group will maintain stable and the quantity of orders, that will be shifted from the independent manufacturers to the Parent Group, will not be further increased during the two years ending March 31, 2020.

The management of the Company had included a buffer in the proposed annual caps, which are prepared for factors not yet included in the above-mentioned assumptions such as unexpected increase in sales volume (e.g. the OEM customers may launch new product lines and in turn more orders will be placed with the Group), unexpected market demand on down apparel (e.g. weather change) and unpredictable increase in production costs (e.g. more orders of high-end down products). The buffer represents approximately 15% of the estimated amount of the manufacturing services required by the Group. During the year ended March 31, 2015, approximately RMB96 million of the revenue from the OEM management business was derived from a batch of one-off orders to assist a major customer to develop a new series of products. The Directors also confirmed that the Group is actively exploring any opportunities to launch new down apparel products based on fashion trend and retail market performance. In review of the previous one-off transaction with a major customer, the fast changing fashion trend and those factors out of the Group's control, we concur with the Directors' view that a reasonable buffer can provide flexibility to cater for the OEM customers' operating need from time to time.

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During the year ended March 31, 2017, approximately 23% and 77% of the actual fees are attributable to the branded down apparel products and OEM products, respectively.

Taking into account of (i) the historical proportion of the actual fee of the branded down apparel products and OEM products; (ii) the estimated increase in the processing fee by 7.0% per year; (iii) the quantity of branded down apparel products and OEM orders is anticipated to grow at 20% per year and 5% per year, respectively; (iv) the quantity of orders to be placed with the Parent Group will increase by 10%, the estimated fees of branded down apparel products and OEM products will increase by approximately 40% and 23%, respectively. On top of the estimated processing fees together with a buffer for unforeseen market uncertainty, the proposed annual cap for the year ending March 31, 2018 will increase by approximately RMB302.5 million or 46.7% as compared to the actual fee for the year ended March 31, 2017.

Based on the above same factors, except for the 10% increment of orders to be placed with the Parent Group, the proposed annual caps for the two years ending March 31, 2019 and 2020 will increase by approximately 20% per year.

Having considered the above, we are of the view that the proposed annual caps are fair and reasonable.

5. Internal Controls

As advised by the management of the Company, the Group has implemented various internal control procedures to monitor the operation of continuing connected transactions contemplated under the Agreement, including obtaining two to three sets of quotations from independent third parties. We have reviewed certain transactions with the Parent Group and compared the quotations from independent third parties. We noted that the processing fees of the Parent Group were lower than other independent manufacturers' quotations and therefore the Parent Group was engaged.

The independent non-executive Directors also review the continuing connected transactions in relation to the Agreement every year and confirmed in the annual reports for the two years ended March 31, 2015 and 2016 that the continuing connected transactions in relation to the Agreement were conducted (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on better terms to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor, KPMG, also performs certain agreed-upon procedures in respect of the continuing connected transactions on a sample basis every year. The auditor has reported their factual findings on the selected samples based on the agreed procedures and has confirmed that the continuing connected transactions contemplated in the Agreement have complied with the requirements under Rule 14A.56 of the Listing Rules. We have reviewed the confirmation letters for the two years ended March 31, 2015 and 2016 issued by KPMG and no abnormality was noted.

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Having considered (i) the internal control procedures to select the outsourcing manufacturers; (ii) the annual review by the independent non-executive Directors; and (iii) the annual review by the auditor of the Company, we are of the view that the Company has appropriate measures to govern the future execution of such transactions and to safeguard the interest of the Company and its shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the renewal of the Agreement and the proposed annual caps are on normal commercial terms or better, in the ordinary and usual course of business of the Group, the terms of the Agreement are fair and reasonable as well as in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM for approving the renewal of the Agreement and the proposed annual caps.

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 had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the Company

| Name of Director | Nature of interest | Number of Shares held | Approximate percentage of interest in the Company |
|--------------------|---------------------------------|-----------------------|---|
| Mr. Gao Dekang | Other (Note 1) | 3,198,791,201 | 29.94% |
| | Deemed interest (Note 3) | 2,763,697 | 0.03% |
| | Controlled corporation (Note 4) | 3,844,862,385 | 35.99% |
| Ms. Mei Dong | Other (Notes 1 and 4) | 3,198,791,201 | 29.94% |
| | Beneficial owner (Note 2) | 2,763,697 | 0.03% |
| | Deemed interest (Note 4) | 3,844,862,385 | 35.99% |
| Ms. Gao Miaoqin | Beneficial owner (Notes 2,5,6) | 12,203,697 | 0.11% |
| Ms. Huang Qiaolian | Beneficial owner (Notes 2,5,6) | 13,963,697 | 0.13% |
| Mr. Mak Yun Kuen | Beneficial owner (Notes 5,6) | 22,400,000 | 0.20% |
| Mr. Rui Jinsong | Beneficial owner (Notes 2,5,6) | 24,278,242 | 0.22% |
| Mr. Gao Xiaodong | Other (Note 1) | 3,198,791,201 | 29.94% |

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 and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO.
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, of which Ms. Gao Miaoqin had already disposed of 1,760,000 Shares granted under the Share Scheme.
3. Mr. Gao Dekang is the spouse of Ms. Mei Dong. Thus, he is deemed to be interested in the 2,763,697 Shares held by Ms. Mei Dong under the SFO.
4. These Shares were directly held by New Surplus International Investment Limited (“**New Surplus**”), the ordinary shares of which are wholly owned by Topping Wealth Limited (“**Topping Wealth**”) and the non-voting preference shares of which are wholly owned by IC International Company Limited. Topping Wealth 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 3,844,862,385 Shares held by the controlled corporation of Mr. Gao Dekang under the SFO. Mr. Gao Dekang is a director of New Surplus and Topping Wealth.
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 | 29.94% |
| Kova Group Limited | Interest of controlled corporation (<i>Note 1</i>) | 3,198,791,201 | 29.94% |
| Kong Bo Investment Limited | Corporate interest (<i>Note 1</i>) | 3,146,219,202 | 29.45% |
| New Surplus | Beneficial interest (<i>Note 2</i>) Party to s317 agreement (<i>Note 3</i>) | 3,844,862,385 3,201,554,898 | 35.99% 29.97% |
| Topping Wealth | Interest of controlled corporation (<i>Note 2</i>) Party to s317 agreement (<i>Note 3</i>) | 3,844,862,385 3,201,554,898 | 35.99% 29.97% |
| IC International Company Limited | Party to s317 agreement (<i>Note 4</i>) | 7,046,417,283 | 65.96% |
| ITOCHU Corporation | Party to s317 agreement (<i>Notes 4&5</i>) | 7,046,417,283 | 65.96% |
| ITOCHU Hong Kong Limited | Party to s317 agreement (<i>Notes 4&5</i>) | 7,046,417,283 | 65.96% |
| CITIC International Assets Management Limited ("CIAM") | Party to s317 agreement (<i>Notes 5&6</i>) | 7,046,417,283 | 65.96% |
| CITIC International Financial Holdings Limited | Interest of controlled corporation (<i>Notes 5&6</i>) | 7,046,417,283 | 65.96% |

| Name of shareholder | Nature of interest | Number of Shares in long position | Approximate percentage of interest in the Company |
|---|---|-----------------------------------|---|
| CITIC Limited | Interest of controlled corporation (Notes 5&6) | 7,046,417,283 | 65.96% |
| CITIC Group Corporation | Interest of controlled corporation (Notes 5&6) | 7,046,417,283 | 65.96% |
| Kingford Investment Development Limited | Beneficial interest (Note 7) | 814,542,857 | 7.62% |
| Yvonne Lee | Interest of controlled corporation (Note 7) | 814,542,857 | 7.62% |
| Lion Group Holdings Private Limited | Interest of controlled corporation (Note 7) | 814,542,857 | 7.62% |
| Lion Trust (Singapore) Limited | Interest of controlled corporation (Note 7) | 814,542,857 | 7.62% |
| Kong Shengyuan | Interest of controlled corporation (Note 7) | 814,542,857 | 7.62% |
| Kong Xin Development Limited | Interest of controlled corporation (Note 7) | 814,542,857 | 7.62% |
| Cultivate Rise Limited | Interest of controlled corporation (Note 7) | 814,542,857 | 7.62% |

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 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 and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO.
2. New Surplus is a company, the ordinary shares of which are wholly owned by Topping Wealth and the non-voting preference shares of which are wholly owned by IC International Company Limited. Topping Wealth 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 held by the controlled corporations of Mr. Gao Dekang under the SFO. Mr. Gao Dekang is a director of New Surplus and Topping Wealth.

3. New Surplus and Topping Wealth were parties acting in concert with Mr. Gao Dekang and IC International Company Limited under s317(1)(a) of the SFO. By virtue of the SFO, New Surplus and Topping Wealth were deemed to be interested in 3,201,554,898 Shares, in addition to the 3,844,862,385 Shares interested by them.
4. ITOCHU Corporation was deemed to be interested in a total of 7,046,417,283 Shares in the Company by virtue of its control over ITOCHU Hong Kong Limited, which controlled IC International Company Limited, a party acting in concert with Mr. Gao Dekang, Topping Wealth and New Surplus under s317(1)(a) of the SFO. By virtue of the SFO, each of ITOCHU Corporation, ITOCHU Hong Kong Limited and IC International Company Limited was deemed to be interested in 7,046,417,283 Shares.
5. CIAM and Feather Shade Limited are parties acting in concert with ITOCHU Corporation, ITOCHU Hong Kong Limited and IC International Company Limited under s317(1)(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.
6. 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 October 28, 2016, 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 | 65.37 | 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 Shengyuan, 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 October 31, 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 Shengyuan | 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 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 agreement has been further renewed for a term of three years from September 15, 2016.

(b) *Property Lease Agreement and the Supplemental Property Lease 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 agreements are to be reviewed annually taking into account market conditions, and should not be higher than the rent applicable to a third party tenant at the relevant time. The 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.

(c) Agreement

The details of the Agreement are set out in the letter from the Board as set out in this Circular.

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

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or any professional 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

Save as disclosed herein, as at the Latest Practicable Date, the Directors confirmed that there had not been any material adverse change in the financial or trading position of the Company since March 31, 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 EXPERTS

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

| Name | Qualification |
|---------------|---|
| 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 place of business in Hong Kong 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 of the Company in Hong Kong 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 Framework Integrated Service Agreement;
- (b) the Property Lease Agreement and the Supplemental Property Lease Agreements;
- (c) the Agreement; and
- (d) the connected transaction circular relating to the issue of new shares under specific mandate by the Company.

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 immediately after the conclusion of the annual general meeting of the Company at 10 a.m. on Friday, August 25, 2017 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the proposed annual caps for each of the three years ending March 31, 2018, 2019 and 2020 and the renewal of the transactions contemplated under the Framework Manufacturing Outsourcing and Agency Agreement as set out in the circular to the shareholders of the Company dated May 12, 2017 be approved; and
- (b) any one director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Framework Manufacturing Outsourcing and Agency Agreement and the transactions contemplated therein.”

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

Hong Kong, May 12, 2017

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 share, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Gao Dekang and his associates (as defined in the Listing Rules) are required to abstain from voting on the above ordinary resolution.
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, Mr. Mak Yun Kuen, Mr. Rui Jinsong and Mr. Gao Xiaodong; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie.