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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)

Clarification Announcement

This announcement is made by Bosideng International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance.

The Board of Directors of the Company is highly concerned on an ungrounded news article regarding the Group and its business published by a Hong Kong media yesterday, and would like to clarify as follows:

Number of Stores

In preparing the annual reports and interim reports, for the purpose of measuring the retail outlet, the Group only takes into account those stores which are still selling our products as of 31 March and 30 September. The Group’s retail network consists of specialty stores and concessionary retail outlets. As an industry practice, some specialty stores operated by distributors may be leased out on short term leases during the low season for down apparel.

Meanwhile, our concessionary retail outlets are mainly counters in department stores, which are only operated during the peak season for down apparel to cope with the seasonality of our core products, a measure which is in line with the flexible sales strategy and stringent cost control measures consistently adopted by the Group.

Inventory Arrangement

During the off season of down apparel sales, being April to June, the Group usually assists its distributors in dealing with return or exchange of goods. And starting from 2013, the Group conducts production for the next financial year during production off season, being January to March in order to lower production costs. As such, there is a huge demand for logistics at present, therefore it is reasonable to hold a considerable level of inventory. Inventory begins to roll when the Group delivers products to its self-operated stores and distributors starting from July.

The Group has had policies to cultivate and support its distributors. In particular, the goods return mechanism, which has been in place since listing and the procedure of operation has also been set out in detail in the IPO document, allows distributors to confirm and return the proportion of unsold goods by the end of each financial year (i.e., by 31 March) with return rate of approximately 20% to 25%. For the purpose of financial settlement, the proportion of return set out in the contract would not be recognized as sales revenue. In addition, since the 2010/11 financial year, the Group has formally implemented a new ordering mechanism, which removed the arrangement regarding goods return, for certain distributors who have long-term relationship with the Group and are relatively more resourceful, and such arrangement has also been clearly recorded in the annual report for such financial year. Currently both mechanisms are being implemented on a parallel basis.

Product Processing

The Group always highly values product quality and is committed to providing consumers with products of the highest quality and ensuring all products sold are in compliance with national standards. The Group carefully examines each of the down apparel products returned by its distributors and re-processes the products that are not up to the Group's standards. Such processing procedures include manually washing the down apparel piece by piece to remove obvious stains, then centralize for finishing to ensure that they meet the national standards. The products are subsequently sold at a discount through dedicated outlets in the third-and fourth-tier cities. Such products only accounted for approximately 0.2% of the inventory volume.

Capital Management

The Group has adequate funds on hand. Based on the unaudited financial data of the Group as of March 31, 2013, the Group's net cash amounted to approximately RMB2.8 billion. Net cash includes bank deposits and bank guaranteed short-term investment, net of all bank loans.

Capitalizing on the Company's solid business and financial records, the Group has been able to obtain comparatively favorable financing terms from domestic and foreign financial markets for several years. Leveraging on interest rate spread in the market, the Group can achieve an effective and flexible financial fund management through overseas loan and domestic deposit management, increasing the returns on capital.

Connected Transactions

The Group has always taken it as its own mission to provide the best quality products for its consumers, and therefore selects all outsourcing manufacturers in a rigorous and prudent manner. The plant owned by the Parent Group is one of the most experienced domestic plants with the most advanced production technology that specialize in the production of down apparel products. Therefore, the plant owned by the Parent Group is always chosen to produce our down apparel products, accounted for approximately one third of our production volume.

All connected transactions have been conducted for the benefit of the Group, and the Group has adjusted the usage amount based on actual market demand. The connected transactions have complied with the applicable reporting, annual review announcement and/or independent shareholders' approval requirements under the Listing Rules, while the relevant annual caps and basis of determination upon which transaction amounts are based are also set forth in details in the continuing connected transaction announcements. The Group has always conducted the relevant continuing connected transactions in strict compliance with the agreed terms thereof, and the terms of the transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Group finds the ungrounded news article deeply deplorable and hereby issues this clarification announcement.

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

Hong Kong, 16 May, 2013

As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Dr. Kong Shengyuan, 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 and Mr. Ngai Wai Fung.