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Bosideng International Holdings Limited

波司登國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3998)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 11 March 2010 and 9 January 2012 in respect of, among other things, the CCT Agreements which will soon expire on 14 September 2013 (except for the Property Lease Agreement which provides that the lease term of each lease granted thereunder shall be no more than 20 years) and shall, subject to compliance by the Group the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term. The Company intends to renew the Framework Integrated Service Agreement and the Framework Raw Materials Purchase Agreement and to serve the renewal notice to the Parent Group no later than 14 June 2013.

Although the Property Lease Agreement has not expired and still remains in force, the annual caps for the transaction contemplated thereunder for the three years ending 31 March 2016 are to be revised in order to comply with the Listing Rules. Further, on 22 April 2013, the Company and Mr. Gao Dekang entered into the Supplemental 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 the date of the Supplemental Agreement.

The transactions contemplated under each of the CCT Agreements entered into by the Company will be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement as the applicable percentage ratios under the Listing Rules are more than 0.1% and less than 5% on an annual basis.

INTRODUCTION

Reference is made to the announcements of the Company dated 11 March 2010 and 9 January 2012 in respect of, among other things, the CCT Agreements which will expire on 14 September 2013 (except for the Property Lease Agreement which provides that the lease term of each lease granted thereunder shall be no more than 20 years). The Company intends to renew the Framework Integrated Service Agreement and the Framework Raw Materials Purchase Agreement and to serve the renewal notice to the Parent Group no later than 14 June 2013.

Although the Property Lease Agreement has not expired and still remains in force, the annual caps for the transaction contemplated thereunder for the three years ending 31 March 2016 are to be revised in order to comply with the Listing Rules. Further, on 22 April 2013, the Company and Mr. Gao Dekang entered into the Supplemental Agreement pursuant to which the Parent Group agreed to lease additional premises to the Group in the PRC from time to time for a term not more than three years from the date of the Supplemental Agreement.

CONNECTED PERSONS

The Parent Group

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

For so long as Mr. Gao Dekang remains a substantial Shareholder, transactions between the Group and the Parent Group will constitute connected transactions for the Company under the Listing Rules.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

(1) *Framework Raw Materials Purchase Agreement*

Pursuant to the Framework Raw Material Purchase Agreement, the Company has agreed to purchase (on a non-exclusive basis) nanometer fabric from the Parent Group.

The Framework Raw Material Purchase Agreement has an initial term of three years from 15 September 2007 to 14 September 2010 and shall, subject to compliance by the Group the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term. The Company has served a notice of renewal to the Parent Group on 22 May 2010 to renew the Framework Raw Materials Purchase Agreement for another term of three years from 15 September 2010. The Company intends to further renew the Framework Raw Material Purchase Agreement and to serve the notice to the Parent Group no later than 14 June 2013.

Set out below are the aggregate amounts paid in relation to the purchase of raw materials by the Group to the Parent Group for each of the two years ended 31 March 2011 and 2012 and the period from 1 April 2012 to 28 February 2013:

	For the year ended 31 March 2011 (audited) RMB (million)	For the year ended 31 March 2012 (audited) RMB (million)	For the period from 1 April 2012 to 28 February 2013 (unaudited) RMB (million)
Amount paid under the Framework Raw Materials Purchase Agreement	11.9	11.2	3.8

The proposed annual caps under the Framework Raw Materials Purchase Agreement for each of the three years ending 31 March 2016 are set out below:

	For the year ending 31 March		
	2014 RMB (million)	2015 RMB (million)	2016 RMB (million)
Proposed annual caps	11.5	12.0	12.5

The proposed annual caps under the Framework Raw Materials Purchase Agreement for each of the three years ending 31 March 2016 have been determined with reference to (i) the historical amount paid by the Group under the Framework Raw Materials Purchase Agreement; (ii) the annual caps of RMB 12 million, RMB 16 million and RMB 20 million for the three years ended 31 March 2013; and (iii) the expected decrease of demand on nanometer fabric.

The Directors (including the INEDs) have confirmed that the amounts paid for the purchase of raw materials from the Parent Group for use in down apparel products have been determined on an arm's length basis by reference to the prevailing market prices of the raw materials, in particular, nanometer fabric, for use in down apparel products or at rates comparable to the quality and prices of those similar products offered by the Parent Group to any other independent third party customers.

(2) Framework Integrated Service Agreement

Pursuant to the Framework Integrated Service Agreement, the Parent Group agrees to provide the Group with various ancillary services, which currently include the provision of hotel accommodation, property management services, which includes repair and maintenance, security and general cleaning, for the properties occupied by the Group located in Changshu.

Pursuant to the Framework Integrated Service Agreement, the Group can request the Parent Group to provide additional services that are necessary for the operation of the Group's business. Accordingly, the Group requested the Parent Group to provide the property management services for the properties occupied by the Group in the PRC (in addition to Changshu) with effect from 1 April 2013.

The Framework Integrated Service Agreement has an initial term of three years from 15 September 2007 to 14 September 2010 and has been renewed by the Company on 22 May 2010 and shall, subject to compliance by the Group the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term. The Company intends to renew the Framework Integrated Service Agreement and to serve the notice to the Parent Group no later than 14 June 2013.

Set out below the aggregate service fee paid by the Group to the Parent Group for each of the years ended 31 March 2011, 2012 and the period from 1 April 2012 to 28 February 2013:

	For the year ended 31 March 2011 (audited) RMB (million)	For the year ended 31 March 2012 (audited) RMB (million)	For the period from 1 April 2012 to 28 February 2013 (unaudited) RMB (million)
Service fee paid under the Framework Integrated Service Agreement	3.8	6.4	9.7

The proposed annual caps for each of the three years ending 31 March 2016 are set out below:

	For the year ending 31 March		
	2014	2015	2016
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Proposed annual caps	20.0	25.0	30.0

The proposed annual caps for each of the three years ending 31 March 2016 have been estimated with reference to:

- (a) the historical figures of the relevant transactions, in particular, the substantial increase in the utilization of the Changshu Bosideng Hotel Co. Ltd. (formerly known as Kang Bo Hotel) (“Bosideng Hotel”), the property management (including utilities, i.e. electricity, water, repair and maintenance) and dining services;
- (b) the annual caps of RMB 8 million, RMB 11.8 million and RMB 14.2 million for the three years ended 31 March 2013;
- (c) the expected substantial increase in the utilization of the property management services (including utilities, i.e. electricity, water, repair and maintenance) as a result of the expansion of the properties to be covered (from just the properties in Changshu to properties occupied by the Group in the PRC);

- (d) the expected increase in repair and maintenance for the properties located in the PRC, which are owned by the Group; and
- (e) the expected increase in the fees to be charged by the Parent Group for the property management and dining services as well as electricity provided to the Group.

The Directors (including the INEDs) have confirmed that the service fees payable by the Group to the Parent Group are determined by reference to (i) the rate set by the PRC Government, or (ii) the rate not higher than the rate recommended by the PRC Government (if the PRC Government has not fixed a rate), or (iii) the rate not higher than the market price for similar services or products provided in the vicinity or the market price for similar services or products provided in the PRC if no market price for similar services provided in the vicinity is available, or (iv) a fee agreed by the parties after taking into account the actual cost or reasonable cost (whichever is lower) plus reasonable profits for the provision of similar services or products if bases (i) to (iii) are not available.

(3) *Lease Agreements*

Pursuant to the Property Lease Agreement, the Parent Group leased 14 properties with a total area of approximately 72,676 square meters to the Company. The properties leased under the Property Lease Agreement, were used as the Group's regional offices or warehouses.

The term of each lease granted under the Property Lease Agreement shall be no more than 20 years from the date of the Property Lease Agreement. Under the Property Lease Agreement, the Group is able to terminate a lease of any premise at any time prior to its expiry at the sole discretion of the Company without any penalty, provided that a 30-day prior notice is given to the Parent Group. The Parent Group cannot terminate any lease without the Group's consent. On 22 April 2013, the Company and Mr. Gao Dekang entered into the Supplemental 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 1 April 2013. The new leases to be entered into under the Supplemental Agreement shall, subject to compliance by the Group the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term.

The Directors (including the INEDs) are of the opinion that the entering into the Supplemental Agreement can provide flexibility for the Group to enter into leases which are no more than three years with the Parent Group for premises located in the PRC from time to time under an agreed framework.

Set out below is a list of the 16 current leases entered into pursuant to the Lease Agreements with effect from 1 April 2013:

Lease number	Approximate annual rental payable for the year ending 31 March 2014 <i>RMB (million)</i>	Approximate size of the property <i>(square meter)</i>	Location	Use of the property	
1.	1.77	11,781	Jiangsu	Warehouse and display	1 April 2006 – 31 March 2026
2.	0.04	279	Shandong	Office	1 April 2006 – 31 March 2026
3.	0.99	6,607	Jiangsu	Warehouse	1 April 2006 – 31 March 2026
4.	0.03	5,790	Jiangsu	Office	1 April 2006 – 31 March 2026
5.	1.98	13,213	Jiangsu	Warehouse	1 April 2006 – 31 March 2026
6.	2.31	15,396	Shandong	Warehouse and Office	17 May 2006 – 16 May 2026
7.	0.20	1,309	Jiangsu	Warehouse	1 April 2006 – 31 March 2026
8.	0.03	200	Jiangsu	Office	1 April 2006 – 31 March 2026
9.	0.07	445	Jiangsu	Sales office	1 April 2006 – 31 March 2026
10.	0.66	4,392	Jiangsu	Warehouse and Office	13 March 2010 – 12 March 2030
11.	0.68	4,558	Jiangsu	Warehouse	13 March 2010 – 12 March 2030

Lease number	Approximate annual rental payable for the year ending 31 March 2014 <i>RMB (million)</i>	Approximate size of the property <i>(square meter)</i>	Location	Use of the property	
12.	0.52	3,460	Jiangsu	Office	13 March 2010 – 12 March 2030
13.	0.52	2,746	Jiangsu	Warehouse	13 March 2010 – 12 March 2030
14.	0.41	2,500	Jiangsu	Warehouse	13 March 2010 – 12 March 2030
15.*	3.44	26,271	Jiangsu	Warehouse	1 April 2013 – 31 March 2016
16.*	0.71	7,055	Jiangsu	Staff dormitory	1 April 2013 – 31 March 2016

* new leases contemplated under the Supplemental Agreement with a term of three years

Set out below the aggregate rental paid by the Group to the Parent Group for each of the years ended 31 March 2011, 2012 and the period from 1 April 2012 to 28 February 2013:

	For the year ended 31 March 2011 <i>(audited)</i> <i>RMB (million)</i>	For the year ended 31 March 2012 <i>(audited)</i> <i>RMB (million)</i>	For the period from 1 April 2012 to 28 February 2013 <i>(unaudited)</i> <i>RMB (million)</i>
Annual rental paid or expected to be paid under the Property Lease Agreement	10.3	10.6	11.0

The proposed annual caps under the Lease Agreements for each of the three years ending 31 March 2016 are set out below:

	For the year ending 31 March		
	2014	2015	2016
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Proposed annual caps	33.0	35.0	37.0

The proposed annual caps under the Lease Agreements for each of the three years ending 31 March 2016 have been estimated with reference to (i) the prevailing market rental for similar properties situated around premises under the current leases set out above; (ii) the expected continuous increase of rental in the regions in which the Company leases properties from the Parent Group; (iii) the expected increase in the number of additional premises to be leased to the Group for a term of not more than 3 years under the Supplemental Agreement; (iv) historical rental paid under the Property Lease Agreement; and (v) the old annual cap of RMB 11.5 million, RMB 11.8 million and RMB 12 million for the three years ended 31 March 2013.

The Directors (including the INEDs) have confirmed that the annual rental paid and expected to be paid by the Group to the Parent Group for the leasing of properties have been determined on an arm's length basis by reference to the prevailing market condition in the PRC and the market rates of comparable properties which in any event is not higher than the rent applicable to a third party tenant at the relevant time and the proposed annual cap under the Lease Agreements is fair and reasonable to the Company.

REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. The renewal and revision of the scope of the Non-Exempt Continuing Connected Transactions will utilize the geographical presences of both the Group and the Parent Group to increase the Group's operation efficiency, cost and competitiveness.

The Directors (including the INEDs) are of the opinion that the proposed annual caps are fair and reasonable and that the transactions contemplated under the CCT agreements are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the CCT Agreements are fair and reasonable and in the interest of the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND THE PARTIES

The Group

The Group 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.

Mr. Gao Dekang

Mr. Gao Dekang (the Chairman and Chief Executive Officer of the Company) is the substantial shareholder of the Company beneficially interested in approximately 65.08% of the Company's issued share capital.

IMPLICATIONS UNDER THE LISTING RULES

The applicable percentage ratios under Chapter 14A of the Listing Rules, in respect of transactions contemplated under each of the CCT Agreements, are expected to be more than 0.1% and less than 5% on an annual basis. Accordingly, the transactions contemplated under each of the CCT Agreements will only be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under the Chapter 14A of the Listing Rules.

Mr. Gao Dekang, Ms. Mei Dong (the wife of Mr. Gao Dekang) and Ms Gao Miaoqin (the cousin of Mr. Gao Dekang), all of whom are Directors, have abstained from voting on the board resolution approving the renewal of the transactions under the CCT Agreements and their respective new annual caps.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company

“CCT Agreement”	collectively, the Framework Integrated Service Agreement, the Framework Raw Materials Purchase Agreement and the Lease Agreements
“Company”	Bosideng International Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the director(s) of the Company
“Framework Integrated Service Agreement”	the integrated service agreement entered into between the Company and Mr. Gao Dekang dated 15 September 2007 pursuant to which the Parent Group agrees to provide various ancillary services to the Group, which was renewed on 22 May 2010
“Framework Raw Materials Purchase Agreement”	the framework raw materials purchase agreement entered into between the Company and Mr. Gao Dekang dated 15 September 2007 pursuant to which the Company has agreed to purchase (on a non-exclusive basis) nanometer fabric from the Parent Group, which was renewed on 22 May 2010
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“INEDs”	the independent non-executive Directors
“Lease Agreements”	collectively, the Property Lease Agreement and the Supplemental Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the CCT Agreements that are subject to reporting, annual review and announcement requirements but exempt from shareholders’ approval under Chapter 14A 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
“Property Lease Agreement”	the property lease agreement entered into between the Company and Mr. Gao Dekang dated 15 September 2007 pursuant to which the Parent Group agreed to lease certain properties with a total area of approximately 55,824 square meters to the Group, as supplemented by a supplemental lease agreement entered into between Mr. Gao Dekang and the Company on 11 March 2010 pursuant to which the list of premises and the annual rental as contained in the Property Lease Agreement was revised
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	a supplemental lease agreement to the Property Lease Agreement entered into between the Company and Mr. Gao Dekang dated 22 April 2013 pursuant to which the Parent Group agreed to lease additional properties to the Group in the PRC from time to time for a term of not more than three years from the date of the Supplemental Agreement
“%”	per cent

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

Hong Kong, 22 April, 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 and Ms. Wang Yunlei; the non-executive Director is Mr. Shen Jingwu; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Jiang Hengjie, Mr. Wang Yao and Mr. Ngai Wai Fung.