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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 -
REVISION OF ANNUAL CAPS**

Reference is made to the announcement of the Company dated 11 March 2010 and the circular of the Company dated 31 March 2010 in respect of, among other things, (1) the Framework Integrated Service Agreement; and (2) the Framework Manufacturing Outsourcing and Agency Agreement, both of which were entered into between the Company and Mr. Gao Dekang.

(1) FRAMEWORK INTEGRATED SERVICE AGREEMENT

As the aggregate amount of service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement for the year ending 31 March 2012 may soon exceed the original annual cap, the Company has resolved to revise the annual caps for the two financial years ending 31 March 2013 in order to comply with Rule 14A.36 of the Listing Rules.

As the relevant percentage ratios applicable to the revised annual caps for the service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement for the two financial years ending 31 March 2013 are more than 0.1% but less than 5%, the continuing connected transactions under the Framework Integrated Service Agreement will continue to be subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement, under the Listing Rules.

(2) FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

As the amount of services actually required by the Company under the Framework Manufacturing Outsourcing and Agency Agreement exceeds the original projection, the aggregate amount of fees payable by the Group to the Parent Group under the Framework Manufacturing Outsourcing and Agency Agreement for the financial year ending 31 March 2012 may soon exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Caps for the three financial years ending 31 March 2014 in order to comply with Rule 14A.36 of the Listing Rules.

As the Company also intends to further extend the Framework Manufacturing Outsourcing and Agency Agreement from 14 September 2013 to 14 September 2014, the Company entered into a supplemental agreement with Mr. Gao Dekang on 9 January 2012 so as to revise the term of extension under the Framework Manufacturing Outsourcing and Agency Agreement.

As each of the relevant percentage ratios applicable to the New Annual Caps is more than 5% on an annual basis and the maximum annual consideration is more than HK\$10 million, the continuing connected transactions under the Framework Manufacturing Outsourcing and Agency Agreement will continue to be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

An EGM will be convened to seek the independent Shareholders' approval of the extension of the term of the Framework Manufacturing Outsourcing and Agency Agreement and the New Annual Caps. A circular containing, among other things, details regarding the New Annual Caps, the respective advice from the Independent Financial Adviser and the Independent Board Committee on the extension of the Framework Manufacturing Outsourcing and Agency Agreement and the New Annual Caps and the notice of the EGM, will be despatched to the Shareholders on or before 7 February 2012, as additional time is required to prepare the information to be contained in the circular in light of the forthcoming Lunar New Year public holidays from 23 January 2012 to 25 January 2012 (both days inclusive).

INTRODUCTION

Reference is made to the announcement of the Company dated 11 March 2010 and the circular of the Company dated 31 March 2010 in respect of, among other things, (1) the Framework Integrated Service Agreement; and (2) the Framework Manufacturing Outsourcing and Agency Agreement, both of which were entered into between the Company and Mr. Gao Dekang.

CONNECTED PERSONS

As 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, transactions between the Group and the Parent Group (including the transactions under the Framework Integrated Service Agreement and the Framework Manufacturing Outsourcing and Agency Agreement) constitute connected transactions for the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(1) Framework Integrated Service Agreement

Background Information

Pursuant to the Framework Integrated Service Agreement, the Parent Group agrees to provide various ancillary services to the Company, which currently includes the provision of hotel accommodation and property management services for the properties occupied by the Group located in Changshu. The details of the Framework Integrated Service Agreement were set out in the announcement of the Company dated 11 March 2010.

As the Group is actively expanding its overseas market as well as its non-down apparel business, which leads to an increase in the frequency of the business trips and thus the utilization of hotel and dining services and the property management services (including utilities, i.e. electricity and water), etc, the aggregate amount of service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement for the financial year ending 31 March 2012 may soon exceed the original annual cap. Accordingly, the Company has resolved to revise the annual caps for the two financial years ending 31 March 2013 in order to comply with Rule 14A.36 of the Listing Rules.

The Company served a notice of renewal to the Parent Group on 22 May 2010 to renew the Framework Integrated Service Agreement for another term of three years from 15 September 2010 to 14 September 2013. The Framework Integrated Service Agreement shall, subject to compliance by the Group with 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.

Historical Figures

	For the year ended 31 March 2009 (audited) <i>RMB (million)</i>	For the year ended 31 March 2010 (audited) <i>RMB (million)</i>	For the year ended 31 March 2011 (audited) <i>RMB (million)</i>	For the period from 1 April 2011 to 30 November 2011 (unaudited) <i>RMB (million)</i>
Service fees paid under the Framework Integrated Service Agreement	2.3	1.9	3.8	5.9

Revised Annual Caps

The Company has resolved to revise the annual caps for the service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement for the two financial years ending 31 March 2013 as follows:

	For the year ending 31 March			
	2012		2013	
	<i>RMB (million)</i>		<i>RMB (million)</i>	
	<i>Original Cap</i>	<i>Revised Cap</i>	<i>Original Cap</i>	<i>Revised Cap</i>
Service fees payable under the Framework Integrated Service Agreement	8.8	11.8	9.7	14.2

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

- (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 and water) and dining services in 2011;
- (b) the expected increase in room rates of Bosideng Hotel and the frequency of business travels over the next financial year; and
- (c) 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.

The Directors (including the INEDs) are of the opinion that the revised annual caps are fair and reasonable and that the transactions contemplated under the Framework Integrated Service Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the Framework Integrated Service Agreement are fair and reasonable and in the interest of the Shareholders as a whole. 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 revision of the annual caps for the service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement for the two financial years ending 31 March 2013.

Listing Rules Implications

As the relevant percentage ratios applicable to the revised annual caps for the service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement for the two financial years ending 31 March 2013 are more than 0.1% but less than 5%, the continuing connected transactions under the Framework Integrated Service Agreement will continue to be subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement, under the Listing Rules.

(2) Framework Manufacturing Outsourcing and Agency Agreement

Background Information

Pursuant to the Framework Manufacturing Outsourcing and Agency Agreement, the Company has agreed to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis. The details of the Framework Manufacturing Outsourcing and Agency Agreement were set out in the announcement of the Company dated 11 March 2010 and the circular of the Company dated 31 March 2010.

As the amount of services actually required by the Company under the Framework Manufacturing Outsourcing and Agency Agreement exceeds the original projection, the aggregate amount of fees payable by the Group to the Parent Group under the Framework Manufacturing Outsourcing and Agency Agreement for the financial year ending 31 March 2012 may soon exceed the original annual cap. Accordingly, the Company proposes to obtain the New Annual Caps for the three financial years ending 31 March 2014 in order to comply with Rule 14A.36 of the Listing Rules.

Under the Framework Manufacturing Outsourcing and Agency 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. The processing fee is to be charged at a mark-up of approximately 15% on the actual costs incurred for the processing services, which shall be payable in cash by the Group within 30 days after the completion of processing of each batch of down apparel products. 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 is used solely for the manufacturing of the Group's OEM products.

The Company served a notice of renewal to the Parent Group on 22 May 2010 to renew the Framework Manufacturing Outsourcing and Agency Agreement for another term of three years from 15 September 2010 to 14 September 2013. The Framework Manufacturing Outsourcing and Agency Agreement shall, subject to compliance by the Group with 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 renewed term.

As the Company intends to further extend the term of the Framework Manufacturing Outsourcing and Agency Agreement from 14 September 2013 to 14 September 2014, the Company entered into a supplemental agreement on 9 January 2012 with Mr. Gao Dekang to revise the term of extension provided under the Framework Manufacturing Outsourcing and Agency Agreement, which shall, subject to compliance by the Group with 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 or such other term as agreed by the parties. Further, the term of the Framework Manufacturing Outsourcing and Agency Agreement shall be further extended or revised by the Company prior to its expiry if agreed by the parties. Save as the said revision, all other terms of the Framework Manufacturing Outsourcing and Agency Agreement shall remain unchanged.

Historical Figures

	For the year ended 31 March 2009 (audited) RMB (million)	For the year ended 31 March 2010 (audited) RMB (million)	For the year ended 31 March 2011 (audited) RMB (million)	For the period from 1 April 2011 to 30 November 2011 (unaudited) RMB (million)
Fees paid under the Framework Manufacturing Outsourcing and Agency Agreement	229.9	286.4	343.6	353.4

New Annual Caps

The Company proposes the following New Annual Caps:

	For the year ending 31 March				
	2012		2013		2014
	<i>RMB (million)</i>		<i>RMB (million)</i>		<i>RMB (million)</i>
	<i>Original Cap</i>	<i>Revised Cap</i>	<i>Original Cap</i>	<i>Revised Cap</i>	<i>New cap</i>
Fees payable under the Framework Manufacturing Outsourcing and Agency Agreement	396.3	550.0	435.9	687.5	859.4

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

- (a) the historical figures of the relevant transactions, 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 higher labour costs;
- (b) based on the quality assurance of the Parent Group in the field of down apparel manufacturing over the years and the increasing customer requirements for improved quality of down garments in recent year, the specific demand from the OEM customers of the Group for the down apparel products to be manufactured by the Parent Group has been substantially increased; and
- (c) the expected market conditions and increase in demand for the Group's down apparel products.

The Directors (including the INEDs) have confirmed that the fees payable by the Group to the Parent Group for the manufacturing outsourcing services have been determined on an arm's length basis by reference to the actual production volume.

The Directors (excluding the INEDs who will provide their advice after having received the advice from the Independent Financial Adviser) are of the opinion that the New Annual Caps are fair and reasonable and that the transactions contemplated under the Framework Manufacturing Outsourcing and Agency Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the Framework Manufacturing Outsourcing and Agency Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

Listing Rules Implications

As each of the relevant percentage ratios applicable to the New Annual Caps is expected to be more than 5% on an annual basis and the maximum annual consideration under the Framework Manufacturing Outsourcing and Agency Agreement is more than HK\$10 million, the continuing connected transactions under the Framework Manufacturing Outsourcing and Agency Agreement will continue to be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

INFORMATION ABOUT THE PARTIES

The Group

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

EGM

An EGM will be convened to approve the extension of the term of the Framework Manufacturing Outsourcing and Agency Agreement and the New Annual Caps. The voting at the EGM will be taken by way of poll. Other than Mr. Gao Dekang and his associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the extension and the New Annual Caps. The Independent Board Committee comprising all INEDs has been set up to advise the independent Shareholders in relation to the extension of the term of the Framework Manufacturing Outsourcing and Agency Agreement and the New Annual Caps.

A circular containing, among other things, details regarding the transactions contemplated under the Framework Manufacturing Outsourcing and Agency Agreement (including the New Annual Caps), the respective advice from the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM, will be despatched to the Shareholders on or before 7 February 2012, as additional time is required to prepare the information to be contained in the circular in light of the forthcoming Lunar New Year public holidays from 23 January 2012 to 25 January 2012 (both days inclusive).

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
“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 extension of the term of the Framework Manufacturing Outsourcing and Agency Agreement and the New Annual Caps
“Framework Integrated Service Agreement”	the integrated service agreement entered into between the Company and Mr. Gao Dekang dated 15 September 2007, in respect of which a notice of renewal was served by the Company to the Parent Group on 22 May 2010 for a further term of three years from 15 September 2010 and pursuant to which the Parent Group agrees to provide various ancillary services to the Group
“Framework Manufacturing Outsourcing and Agency Agreement”	the framework manufacturing outsourcing and agency agreement entered into between the Company and Mr. Gao Dekang dated 15 September 2007, in respect of which a notice of renewal was served by the Company to the Parent Group on 22 May 2010 for a further term of three years from 15 September 2010 and pursuant to which the Group agrees to outsource its manufacturing process of down apparel to the Parent Group on a non-exclusive basis
“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
“Independent Board Committee”	the independent board committee comprising all the INEDs
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee in relation to the transactions contemplated under the Framework Manufacturing Outsourcing and Agency Agreement (including the New Annual Caps)
“INEDs”	the independent non-executive Directors, namely Mr. Dong Binggen, Mr. Jiang Hengjie, Mr. Wang Yao and Mr. Ngai Wai Fung
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“New Annual Caps”	the new annual caps for the continuing connected transactions under the Framework Manufacturing Outsourcing and Agency Agreement for the financial year ending 31 March 2014, as set out under the section headed “New Annual Caps” in this announcement
“Parent Group”	Mr. Gao Dekang and his associates, other than members of the Group
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 9 January 2012

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.