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波司登國際控股有限公司

Bosideng International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3998)

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

LOAN CAPITALIZATION

On September 6, 2016, the Company has entered into the Subscription Agreement with New Surplus, (a company of which its ordinary shares are ultimately wholly owned by Mr. Gao Dekang and its non-voting preference shares are wholly owned by ITC SPC, a company jointly set up by subsidiaries of ITOCHU Corporation and CIAM) pursuant to which New Surplus has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue an aggregate of 1,834,862,385 new Shares at the Subscription Price of HKD0.93 per Subscription Share by capitalizing the Loan of JPY24 billion owed by the Company to New Surplus, subject to the terms and conditions set out in the Subscription Agreement. The nominal value of the Subscription Shares is approximately USD18,348.62.

The Subscription Shares represent approximately 20.74% of the total number of Shares in issue as at the date of this announcement and approximately 17.18% of the total number of Shares in issue as enlarged by the Loan Capitalization. The Subscription Shares will be issued under the Specific Mandate and will rank *pari passu* with the existing Shares.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, New Surplus is a substantial Shareholder directly holding 2,010,000,000 Shares (representing approximately 22.72% of the total number of Shares in issue as at the date of this announcement) and is a company of which its ordinary shares are indirectly wholly owned by Mr. Gao Dekang (the Chairman of the Company), who is the substantial Shareholder beneficially interested in approximately 58.90% of the total number of Shares in issue as at the date of this announcement, and hence, New Surplus is a connected person of the Company under the Listing Rules. As such, the Loan Capitalization constitutes a connected transaction for the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement and the granting of the Specific Mandate at the EGM.

A circular containing, among other things, further information on (i) the Subscription Agreement and the transaction contemplated thereunder; (ii) the respective advice from the Independent Board Committee and the independent financial adviser on the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iii) the notice convening the EGM and a form of proxy, is expected to be dispatched to the Shareholders on or before September 28, 2016 in accordance with the Listing Rules.

Shareholders and potential investors should note that completion of the Loan Capitalization is subject to fulfillment of the conditions precedent under the Subscription Agreement. As the Loan Capitalization may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

SUBSCRIPTION AGREEMENT

Date: September 6, 2016

Parties:

Issuer: the Company

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

Loan Capitalization

As disclosed in the announcement of the Company issued on January 8, 2016, the Company has entered into a JPY24 billion facility agreement with New Surplus, pursuant to which New Surplus had advanced the Loan to the Company in April 2016.

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

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

Subscription Shares:

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

Subscription Price:

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

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

The Subscription Price was determined on an arm's length basis between the Company and New Surplus with reference to the prevailing market price of the Share. The Directors consider that the Subscription Price is fair and reasonable as it fairly reflects, and represents a premium over, the recent trading price of the Shares.

Specific mandate to issue the Subscription Shares:

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

Ranking:

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

Condition of the Loan Capitalization:

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

- (a) the passing by the Independent Shareholders in accordance with the Listing Rules and all applicable laws at the EGM of resolutions approving (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue the Subscription Shares to New Surplus pursuant to the terms provided therein;
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission remaining in full force and effect;

- (c) there not having occurred, at any time on and from the date of the Subscription Agreement, until or at Completion:
 - (i) any creation, granting, issue or allotment of any Shares, or securities or instruments convertible into or exercisable or exchangeable for or that represent the right to receive, any Share or any other equity or ownership interest in the Company or the issue of any other equity or ownership interests in the Company or any other event which would or contingently or conditionally would increase the total issued share capital in the Company;
 - (ii) any trading halt, suspension or limitation of trading in any of the Shares listed on the Stock Exchange which lasts more than five consecutive trading days, unless such trading halt, suspension or limitation of trading is solely for the purpose of clearing by the Stock Exchange of an announcement/circular to be issued by the Company in connection with the transactions contemplated herein for compliance with Chapter 14 and/or Chapter 14A of the Listing Rules;
 - (iii) the volume weighted average price of the Shares as quoted on the Stock Exchange is HKD0.595 or lower for a consecutive period of three trading days or more;
 - (iv) the volume weighted average price of the Shares as quoted on the Stock Exchange is HKD0.93 or higher for a consecutive period of three trading days or more; or
 - (v) the closing price per Share as quoted on the Stock Exchange immediately preceding the Completion Date shall not be lower than HKD0.595;
- (d) there being no breach immediately prior to Completion of any of the warranties given by the Company on the date of the Subscription Agreement and immediately prior to and upon Completion and there being no breach of any of the undertakings of the Company under the Subscription Agreement; and
- (e) there is no trading halt, suspension or limitation of trading in the Shares on the Stock Exchange on the Completion Date.

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

Completion of Loan Capitalization:

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

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

Undertakings by the Company

The Company undertakes:

- (i) save pursuant to the issuance of Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company pursuant to any share option(s) granted or to be granted under the share option scheme of the Company adopted on September 15, 2007 or award granted or to be granted under the share award scheme of the Company adopted on September 23, 2011, subject to a maximum in aggregate of not more than 5% of the issued share capital of the Company as at the date of the Subscription Agreement, that it shall not, before the Completion Date create, grant, issue or allot any Shares or securities or instruments convertible into or exercisable or exchangeable for, or that represent the right to receive, any Share or other equity or ownership interest in the Company or issue any other equity or ownership interests in the Company or undertake any other event which would or contingently or conditionally would increase the total outstanding issued share capital in the Company; and
- (ii) save for the final dividend declared by the Company for the year ended March 31, 2016 or any usual interim dividend to be declared by the Company for the six month period ending September 30, 2016 (if any), that it shall not, before the Completion Date, and excluding any repayment of financial indebtedness, declare or pay any dividend, bonus or other distribution of capital or income (whether in cash or in specie) or declare or make any repurchase, redemption, reduction, cancellation, repayment or return of Shares or other ownership interests in the Company or agree or commit to do any of the foregoing.

APPLICATION FOR LISTING

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

INFORMATION OF NEW SURPLUS

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

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

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

REASONS FOR AND BENEFITS OF THE LOAN CAPITALIZATION

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

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

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

The Directors (excluding the INEDs whose opinions will be subject to the advice to be given by the independent financial adviser to the Independent Board Committee) consider that the Subscription Agreement has been entered into on normal commercial terms and the terms (including the Subscription Price) are fair and reasonable, and the Loan Capitalization is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

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

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

Notes:

1. Kong Bo Investment Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Trust. The GDK Trust is a discretionary trust set up by Mr. Gao Dekang as the founder, for the benefit of his family members (including Ms. Mei Dong).
2. Kong Bo Development Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Trust. The GDK Trust is a discretionary trust set up by Mr. Gao Dekang as the founder, for the benefit of his family members (including Ms. Mei Dong).
3. These Shares are held by Ms. Mei Dong (2,763,697 Shares), Ms Gao Miaoqin (1,003,697 Shares), Ms. Huang Qiaolian (2,763,697 Shares) and Mr. Rui Jinsong (1,878,242 Shares), respectively.

4. These Shares are held by the Share Award Scheme Trustee, on behalf of participants which includes the Company's connected persons, i.e. Directors, namely Mr. Mak Yun Kuen (11,200,000 Shares), Mr. Rui Jinsong (11,200,000 Shares), Ms. Gao Miaoqin (5,600,000 Shares) and Ms. Huang Qiaolian (5,600,000 Shares), thus the Share Award Scheme Trustee is a close associate of the Directors.

EQUITY FUND RAISING ACTIVITY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activity in the 12 months preceding the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES AND TAKEOVERS CODE

As at the date of this announcement, New Surplus is a substantial Shareholder directly holding 2,010,000,000 Shares (representing approximately 22.72% of the total number of Shares in issue as at the date of this announcement) and is a company of which its ordinary shares are indirectly wholly owned by Mr. Gao Dekang (the Chairman of the Company), who is the substantial Shareholder beneficially interested in approximately 58.90% of the total number of Shares in issue as at the date of this announcement, and hence, New Surplus is a connected person of the Company under the Listing Rules. As such, the Loan Capitalization constitutes a connected transaction for the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement and the granting of the Specific Mandate at the EGM.

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

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

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Subscription Agreement and the transaction contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

An Independent Board Committee has been established to advise the Shareholders, and an independent financial adviser will be appointed to advise the Independent Board Committee and the Shareholders in respect of the terms of the Subscription Agreement and the transaction contemplated thereunder.

A circular containing, among other things, further information on (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the respective advice from the Independent Board Committee and the independent financial adviser on the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iii) the notice convening the EGM and a form of proxy, is expected to be dispatched to the Shareholders on or before September 28, 2016 in accordance with the Listing Rules.

Shareholders and potential investors should note that completion of the Loan Capitalization is subject to fulfilment of the conditions precedent under the Subscription Agreement. As the Loan Capitalization may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“CIAM”	CITIC International Assets Management Limited
“Company”	Bosideng International Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Loan Capitalization pursuant to the terms of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the INEDs, namely Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie
“Independent Shareholders”	Shareholders other than New Surplus and its associates
“INEDs”	the independent non-executive Directors
“ITC SPC”	IC International Company Limited, a company incorporated in Hong Kong with limited liability and set up by subsidiaries of ITOCHU Corporation and CIAM
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the advance of a loan of JPY24 billion made on April 8, 2016 under the loan agreement dated January 8, 2016, which for the avoidance of doubt shall exclude any accrued interest on such JPY24 billion (whether or not paid, payable or already capitalized and added to the principal amount)
“Loan Capitalization”	the subscription of the Subscription Shares at the Subscription Price by New Surplus under the Subscription Agreement in consideration of New Surplus waiving its rights to repayment of the Loan
“New Surplus”	New Surplus International Investment Limited, a company incorporated in the British Virgin Island, which its ordinary shares are indirectly wholly owned by Mr. Gao Dekang and its non-voting preference shares are wholly owned by ITC SPC, respectively as at the date of this announcement
“PRC”	the Peoples’ Republic of China, for the purpose of this announcement, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Share(s)”	ordinary share(s) of USD0.00001 each in the total number of Shares in issue
“Share Award Scheme Trustee”	BOCI – Prudential Trustee Limited, a company incorporated in Hong Kong, the trustee appointed by the Company for the administration of the share award scheme of the Company adopted on September 23, 2011
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares to New Surplus upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated September 6, 2016 between the Company and New Surplus in connection with the Loan Capitalization
“Subscription Price”	HKD0.93 per Subscription Share
“Subscription Shares”	1,834,862,385 new Shares to be issued by the Company to New Surplus pursuant to the Subscription Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“JPY”	Japanese dollars, the lawful currency of Japan
“USD”	United States dollars, the lawful currency of United States of America
“%”	per cent

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

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

Hong Kong, September 6, 2016

As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Ms. Gao Miaoqin, Ms. Huang Qiaolian, Mr. Mak Yun Kuen and Mr. Rui Jinsong; and the INEDs are Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie.