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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF SHARES

Reference is made to the Announcement dated 15 May 2009 in which the Company announced the exercise of the Call Option to acquire the entire issued share capital of YFL. Further to the Announcement, the Board wishes to make this announcement regarding the terms for the Acquisition and other details and arrangements of the Acquisition pursuant to the Listing Rules.

The Board is pleased to announce that on 26 May 2009, the Purchaser (as the Company's wholly-owned subsidiary), entered into the Agreement with the Vendor and HFL pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell and transfer the entire issued share capital of YFL (a direct wholly-owned subsidiary of the Vendor) at the Purchase Price. The Acquisition has been completed on 26 May 2009.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

I. BACKGROUND

Reference is made to the Announcement dated 15 May 2009 in which the Company announced the exercise of the Call Option to acquire the entire issued share capital of YFL. Further to the Announcement, the Board wishes to make this announcement regarding the terms for the Acquisition and other details and arrangements of the Acquisition pursuant to the Listing Rules.

II. THE AGREEMENT

The Board is pleased to announce that on 26 May 2009, the Purchaser (as the Company's wholly-owned subsidiary), entered into the Agreement with the Vendor and HFL pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell and transfer the entire issued share capital of YFL (a direct wholly-owned subsidiary of the Vendor) at the Purchase Price. HFL entered into the Agreement to guarantee and covenant with the Purchaser the due and punctual performance by the Vendor of the Vendor's obligations under the Agreement.

(1) **Date**

26 May 2009

(2) **Parties**

(a) the Vendor

(b) HFL; and

(c) the Purchaser

(3) **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has agreed to acquire the entire issued share capital of YFL. YFL wholly-owns LPL, which in turn directly owns the entire equity interest in the Menswear Company. The Menswear Company is a limited liability company established in the PRC, which is primarily engaged in the Menswear Business.

(4) **Consideration and payment terms**

The maximum aggregate consideration for the Acquisition under the Agreement is RMB650,000,000, being the audited NPAT of the Menswear Company for the financial year ended 31 March 2009 multiplied by 7.7. The Purchase Price will be satisfied in cash from the Group's internal resources.

Payment of the Purchase Price shall be divided into three instalments as follows:

(a) the first instalment shall be for the sum of RMB520,000,000, representing 80% of the Purchase Price (the "***First Instalment***");

(b) the second instalment shall be for the sum of RMB65,000,000 (subject to adjustments), representing 10% of the Purchase Price (the "***Second Instalment***"); and

(c) the third instalment shall be for the sum of RMB65,000,000 (subject to adjustments), representing the remaining 10% of the Purchase Price (the "***Third Instalment***").

The Purchase Price shall be payable as follows:

(a) the First Instalment shall be paid on the day of Completion;

(b) payment of the Second Instalment and Third Instalment (collectively, the "***Holdback Amount***") is conditional upon the satisfaction of stipulated targets relating to the year-on-year percentage increase of the audited NPAT (the "***NPAT Rate of Increase***") for each of the subsequent two consecutive financial years ending 31 March 2010 and 31 March 2011 respectively;

(c) the Holdback Amount for a particular financial year will generally (a) not be paid (if the NPAT Rate of Increase is less than 15%), (b) be partially paid (if the NPAT Rate of Increase ranges from 15% to 25%), or (c) be paid in full (if the NPAT Rate of Increase exceeds 25%); and

(d) the Purchaser shall be entitled to any remaining Holdback Amount (including any accrued interest arising therefrom) which has not been paid to the Vendor after the elapse of these two subsequent financial years.

The Purchaser shall deposit the maximum amount of the Second Instalment and the Third Instalment (being RMB130,000,000) into an escrow account in the joint names of the Purchaser and the Vendor, from which the Second Instalment and Third Instalment will be payable on the terms described above once the relevant NPAT Rate of Increase has been determined.

The payment terms under the Agreement differ from that contemplated under the Conditional Call Option Agreement (as disclosed in the Announcement) in the following areas:

(a) the percentage of the Purchase Price to be paid on Completion is increased from 70% to 80% and the percentage of the Purchase Price to be held as the Holdback Amount is reduced from 30% to 20%;

(b) the period during which the Holdback Amount will be paid out is reduced from three years to two years; and

(c) the upper threshold set for the NPAT Rate of Increase (to determine whether the maximum Holdback Amount for a particular financial year is payable) is reduced from 30% to 25%.

The changes in the payment terms are the result of negotiations between the Group and the Vendor on arm's length basis. The Group is agreeable to the changes of the payment terms, which are favourable to its interests for the following reasons.

(i) As disclosed in the Announcement, the audited NPAT of the Menswear Company for the financial year ended 31 March 2009 amounted to RMB83,936,000, thus exceeding the stipulated NPAT target of RMB55,000,000 by approximately 52.6%.

(ii) In view of the better-than-expected performance of the Menswear Company for the financial year ended 31 March 2009 and the efforts by the Vendor and HFL to develop the business of the Menswear Company, the Group believes that the expected NPAT target for the Menswear Company can be adjusted upwards and achieved within the subsequent two financial years ending 31 March 2010 and 31 March 2011 instead of within the subsequent three financial years ending 31 March 2010, 31 March 2011 and 31 March 2012. By way of illustration:

- Under the previous arrangements provided in the Conditional Call Option Agreement, the expected NPAT target of the Menswear Company by the third financial year ending 31 March 2012 (after the Call Option has been exercised during the financial year ending 31 March 2010) amounts to at least RMB120,835,000 (on the basis that the minimum NPAT target for the financial year ended 31 March 2009 of RMB55,000,000 has been achieved, and the NPAT Rate of Increase for each of the financial years ending 31 March 2010, 31 March 2011 and 31 March 2012 is at least 30%).

- By comparison, under the payment terms provided in the Agreement, the expected NPAT target of the Menswear Company by the second financial year ending 31 March 2011 (after the Call Option has been exercised during the financial year ending 31 March 2010) amounts to at least RMB131,150,000 (on the basis that the NPAT for the financial year ended 31 March 2009 amounts to RMB83,936,000, and the NPAT Rate of Increase for each of the financial years ending 31 March 2010 and 31 March 2011 is at least 25%) (the "***FY2011 NPAT Target***"). The FY2011 NPAT Target corresponds to an expected average year-on-year increase of approximately 34% of the audited net profit before tax of the Menswear Company for each of the financial years ending 31 March 2010 and 31 March 2011.

(5) **Completion**

Completion of the Acquisition has taken place on 26 May 2009 following the Purchaser's satisfaction that the conditions precedent to the Acquisition (as disclosed in the Announcement) have been fulfilled.

III. FINANCIAL INFORMATION

Based on the unaudited consolidated financial statements of YFL, LPL and the Menswear Company (collectively, the "***Target Companies***") prepared in accordance with International Financial Reporting Standards for the period from 2 June 2008 (being the incorporation date of YFL) to 31 March 2009, the consolidated net profit (both before and after income tax) of the Target Companies is approximately RMB6,177,000 and RMB5,867,000, respectively.

The consolidated net profit (both before and after income tax) of the Target Companies based on its unaudited consolidated financial statements for the financial year ended 31 March 2008 is unavailable as YFL was incorporated on 2 June 2008. Based on the audited financial statements of the Menswear Company for the period from 13 October 2006 (being its incorporation date) to 31 March 2008, the Menswear Company was dormant during this period and made losses (both before and after income tax) each amounting to RMB1,000, which represented miscellaneous expenses incurred by the Menswear Company.

The book value of the total assets of the Target Companies based on their unaudited consolidated financial statements as at 31 March 2009 was approximately RMB674,403,000.

The financial results of the Target Companies will be consolidated into the accounts of the Group after the Acquisition.

IV. REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Announcement, the Directors consider the Acquisition to be a good investment opportunity for the Company for the following reasons:

- *Diversification.* The Acquisition is in line with the Group's strategy of diversifying its product portfolio and improving profitability by expanding into the PRC menswear apparel industry and introducing non-seasonal apparel products to enhance its product mix.

- *Management and Shareholding Control.* The Group will be able to gain substantial management and shareholding control of the Menswear Company after Completion. In addition, the Group intends to procure the key management personnel of the Menswear Business to enter into long term service agreements immediately prior to Completion to incentivize them to remain with the Menswear Company after the Acquisition. As a further incentive to retain these key management personnel, the service agreements will also provide for the following:

  (a) *Performance Bonuses.* Key management personnel will be awarded performance bonuses for each of the financial years ending 31 March 2010 and 31 March 2011 if certain stipulated financial targets of the Menswear Company are achieved (namely gross profit margin, inventory turnover, receivables turnover, debt-equity ratio and net profit after tax).

  (b) *Share Option Scheme.* Key management personnel will be eligible for the Company's share option scheme (as disclosed in Appendix VIII of the Company's prospectus dated 27 September 2007) upon its implementation.

  (c) *Equity Participation.* To further encourage continued employment with the Menswear Company for the next three financial years ending 31 March 2012, 31 March 2013 and 31 March 2014, the key management personnel may be eligible to enter into a further agreement on such terms and conditions to be agreed with the Group to collectively acquire up to 10% of the equity interest in the registered capital of the Menswear Company (the "***Incentive Shares***") (or subscribe for an equivalent amount of the Incentive Shares) for a total consideration not exceeding RMB65,000,000 (calculated based on 10% of the maximum Purchase Price) or at such other price as may be determined by applicable PRC laws and/or approval authorities (the "***Transfer Price***") if (i) the audited NPAT of the Menswear Company for the financial year ending 31 March 2011 is at least RMB140,000,000 (which target is determined on the basis that there will be an average NPAT Rate of Increase of approximately 30% for each of the financial years ending 31 March 2010 and 31 March 2011), and (ii) the stipulated financial targets mentioned in (a) above have been achieved. The Incentive Shares will be subject to a lock-up period for the three financial years ending 31 March 2014, during which Incentive Shares shall not be sold. Following expiry of this lock-up period, the Group has pre-emptive rights over the Incentive Shares if the key management personnel intends to sell any Incentive Shares to a third party. Any key management personnel who resigns during this lock-up period must transfer all his Incentive Shares to the Group at the Transfer Price. Additionally, the Group has the right to buy back any or all of the Incentive Shares from the key management personnel at the Transfer Price and at any time during the subsequent three financial years ending 31 March 2012, 31 March 2013 and 31 March 2014 if the NPAT Rate of Increase for any of these three financial years is less than 20% (which corresponds to an estimated average year-on-year percentage increase of the audited net profit before tax of the Menswear Company for any of these three financial years being less than approximately 26%), or if certain stipulated inventory turnover or receivables turnover targets of the Menswear Company has not been reached.

- *Attractive valuation.* Given the current economic downturn, the valuation of the Menswear Company is at a relatively low level compared to most other companies similar to the Menswear Company.

- *Growth potential.* The Group is of the view that the Menswear Business has the potential to achieve continuous growth in light of its financial performance for the financial year ended 31 March 2009 and despite its relatively short operating history and the current macro-economic condition and competitive landscape of the PRC menswear apparel industry.

- *Expansion into the UK Market.* HFL, the ultimate beneficial owner of the Menswear Company, has over the past year been committing resources to expand its retail distribution network in the United Kingdom, through which the Menswear Company has been supplying its menswear apparel products. This has brought about synergistic benefits to the financial performance of the Menswear Company. The Group is well positioned to leverage such benefits and further develop the Menswear Company after Completion. In this connection and further to subsequent arm's length negotiations, the Vendor and HFL have agreed to the arrangements set out below as further provided in the Agreement.

(a) *Exclusive distribution of "Bosideng" branded products in the United Kingdom.* The Vendor and HFL shall (and procure that its relevant subsidiary shall), in addition to its own in-house branded products, exclusively sell and distribute the Group's products through its retail distribution network in the United Kingdom for a minimum period of three years from Completion (without prejudice to the Group's right to select other appropriate distributors in the United Kingdom).

(b) *Right of First Refusal.* HFL has offered to the Group a right of first refusal to acquire all interests in the menswear apparel business in the United Kingdom if HFL (or any of its subsidiaries) intends to sell such interests to a third party. HFL (or its relevant subsidiaries) may not proceed with such sale to any third party unless the Group has rejected such offer and the terms of such sale are not more favourable than those offered to the Group.

In view of the above, the Directors believe that the terms of the Acquisition are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

V. INFORMATION RELATING TO THE GROUP

The Group primarily focuses on developing and managing its portfolio of down apparel brands, which includes research, design and development, raw materials procurement, outsourced manufacturing, and marketing and distribution of branded down apparel products.

VI. INFORMATION RELATING TO VENDOR

The Vendor is an investment holding company incorporated in the British Virgin Islands and is an indirect holding company of the Menswear Company. HFL is the sole shareholder of the Vendor.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of the Vendor and HFL is independent of the Group and its connected persons as defined under the Listing Rules.

VII. LISTING RULES IMPLICATION

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

VIII. DEFINITIONS

"Acquisition"	acquisition of the entire issued share capital of YFL by the Purchaser
"Agreement"	the sale and purchase agreement dated 26 May 2009 entered into by the Purchaser, the Vendor and HFL in relation to the Acquisition
"Announcement"	the previous announcement made by the Company on 15 May 2009 in which the Company announced the exercise of the call option to acquire the entire issued share capital of YFL
"Board"	the board of Directors
"Call Option"	a conditional call option granted by the Vendor to the Purchaser for the indirect acquisition of 100% of the equity interest of the Menswear Company through the Acquisition
"Company"	Bosideng International Holdings Limited (波司登國際控股有限公司), a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition
"Conditional Call Option Agreement"	the agreement dated 29 August 2008 between HFL, the Vendor and the Purchaser in relation to the grant by Vendor of the Call Option to the Purchaser (as supplemented pursuant to a letter agreement dated 15 May 2009)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HFL"	Harvest Fancy Limited (盛怡有限公司), a company incorporated under the laws of Hong Kong, the sole shareholder of the Vendor
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"LPL"	Long Pacific (H.K.) Limited (長隆(香港)有限公司), a company incorporated under the laws of Hong Kong, a direct wholly-owned subsidiary of YFL
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Menswear Business"	the design, production and sale of menswear apparel products (other than down apparel products)
"Menswear Company"	江蘇康博制衣有限公司 (Jiangsu Kangbo Clothing Co., Ltd.), a limited liability company established in the PRC, which is primarily engaged in the Menswear Business
"NPAT"	the net profit after tax of the Menswear Company based on the audited financial statements of the relevant financial year ended 31 March in accordance with the International Financial Reporting Standards
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Purchaser"	Bosideng International Fashion Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
"Purchase Price"	an aggregate maximum purchase price of not more than RMB650,000,000 in relation to the Acquisition (subject to adjustment as further described under the section "The Agreement — consideration and payment terms" of this announcement)
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Goldwai Holdings Limited (金威控股有限公司), a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of HFL

"YFL"	Ying Fai Int'l Investment Limited (盈輝國際投資有限公司), a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Vendor

By Order of the Board
Bosideng International Holdings Limited
Mak Yun Kuen
Company Secretary

Hong Kong, 26 May 2009

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