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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)

**DISCLOSEABLE TRANSACTION
EXERCISE OF CALL OPTION**

Reference is made to the announcement of the Company dated 29 August 2008 and the related circular to the shareholders dated 11 September 2008 in which the Company announced, *inter alia*, that Bosideng BVI (its wholly-owned subsidiary) entered into a Conditional Call Option Agreement with HFL and GHL in respect of the indirect acquisition of the entire equity interest of the Menswear Company through the purchase of the entire issued share capital of YFL, a direct wholly-owned subsidiary of GHL, which is in turn wholly-owned by HFL. YFL wholly-owns LPL, which in turn directly owns the entire equity interest in the Menswear Company.

The Board is pleased to announce that on 15 May 2009, Bosideng BVI exercised its Call Option by serving a notice on GHL to require GHL to sell to it the entire issued share capital of YFL at the Purchase Price. Following completion of the Acquisition, the Menswear Company will be the Company's indirect wholly-owned subsidiary. It is expected that Bosideng BVI (as purchaser), GHL (as vendor) and HFL (as guarantor) will enter into a sale and purchase agreement as soon as practicable to effect the transfer of the entire issued share capital of YFL to Bosideng BVI (subject to satisfaction of certain conditions precedent). The Company will issue an announcement upon the entry into of such sale and purchase agreement in accordance with the applicable requirements under the Listing Rules.

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

I. BACKGROUND

Reference is made to the announcement of the Company dated 29 August 2008 and the related circular to the shareholders dated 11 September 2008 in which the Company announced, *inter alia*, that Bosideng BVI (its wholly-owned subsidiary) entered into a Conditional Call Option Agreement with HFL and GHL in respect of the indirect acquisition of the entire equity interest of the Menswear Company through the purchase of the entire issued share capital of YFL, a direct wholly-owned subsidiary of GHL, which is in turn wholly-owned by HFL.

Pursuant to the Conditional Call Option Agreement, the Call Option may be exercised only upon the satisfaction of any of the stipulated audited NPAT targets of the Menswear Company being achieved.

II. EXERCISE OF THE CALL OPTION

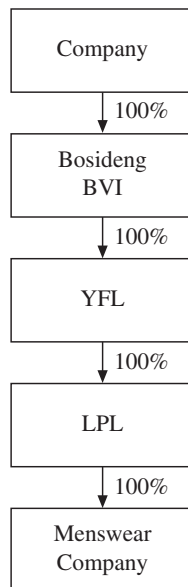
The Board is pleased to announce that the audited NPAT of the Menswear Company for the financial year ended 31 March 2009 amounted to RMB83,936,000. The stipulated audited NPAT target of the Menswear Company for the financial year ended 31 March 2009 as provided under the Conditional Call Option Agreement (which shall not be less than RMB55,000,000) had therefore been reached. On 15 May 2009, Bosideng BVI exercised its Call Option by serving a notice on GHL to require GHL to sell to it the entire issued share capital of YFL at the Purchase Price. 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.

The Purchase Price for the Acquisition will be satisfied in cash from the Group's internal resources and is currently being negotiated between the Group and GHL. As provided under the Conditional Call Option Agreement:

- (a) the Purchase Price shall be determined by reference to the audited NPAT of the Menswear Company which shall not be more than 10 times the audited NPAT for the financial year ended 31 March 2009 and shall not be more than RMB650 million;
- (b) upon exercise of the Call Option, Bosideng BVI will pay GHL 70% of the Purchase Price upon Bosideng BVI becoming registered as the indirect owner of the entire equity interest of the Menswear Company;

- (c) the remaining 30% of the Purchase Price (comprising the “**Holdback Amount**”) will be kept in an escrow account and may be payable to GHJ in up to three separate annual instalments, each of which comprises 10% of the Purchase Price;
- (d) payment of each annual instalment is conditional upon the satisfaction of stipulated targets relating to the year-on-year increase of the audited NPAT (the “**Rate of Increase**”) for each of the subsequent three consecutive financial years immediately following the financial year in which the Call Option was exercised;
- (e) the Holdback Amount for a particular financial year will generally (i) not be paid (if the Rate of Increase is less than 15%), (ii) be partially paid (if the Rate of Increase ranges from 15% to 30%), or (iii) be paid in full (if the Rate of Increase exceeds 30%); and
- (f) Bosideng BVI shall be entitled to any remaining Holdback Amount (including any accrued interest arising therefrom) which has not been paid to GHJ after the elapse of these three subsequent financial years.

Following the completion of the Acquisition, the shareholding structure of the Menswear Company will be as set out below.



It is expected that Bosideng BVI (as purchaser), GHIL (as vendor) and HFL (as guarantor) will enter into a sale and purchase agreement as soon as practicable to effect the transfer of the entire issued share capital of YFL to Bosideng BVI (subject to satisfaction of certain conditions precedent). HFL will enter into the sale and purchase agreement to guarantee and covenant with Bosideng BVI the due and punctual performance by GHIL of GHIL's obligations under the sale and purchase agreement. This sale and purchase agreement will provide, among other things, that the Acquisition will be subject to customary conditions precedent for an acquisition of this nature, including the following:

- (i) the passing of the necessary resolutions by the board of directors of each of GHIL, HFL and Bosideng BVI approving the Acquisition;
- (ii) the delivery to Bosideng BVI of a PRC legal opinion issued by the Group's PRC legal advisers in respect of the Transaction (in form and substance satisfactory to Bosideng BVI);
- (iii) all necessary contractual, regulatory and governmental waivers, consents and approvals in respect of the Acquisition having been obtained;
- (iv) Bosideng BVI being satisfied with the due diligence results on YFL, LPL and the Menswear Company;
- (v) there not having occurred, in the Purchaser's opinion, a material adverse change to the business and financial conditions of YFL, LPL and the Menswear Company;
- (vi) there having been no breach of warranties in the sale and purchase agreement by GHIL and HFL; and
- (vii) the key managers of the Menswear Company having signed service agreements (in substance and form satisfactory to the Purchaser) and no key manager has tendered any resignation or intends to resign or is dismissed as a result of the Acquisition.

The Company will issue an announcement upon the entry into of such sale and purchase agreement in accordance with the applicable requirements under the Listing Rules.

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 net profit (both before and after income tax) of the Target Companies is RMB6,177,000 and RMB5,867,000, respectively.

The 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 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 Transaction.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTION

Having taken into account the principal factors and considerations set out below, the Directors consider that the Transaction represents a good investment opportunity for the Company.

- The Transaction 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.
- The Group will be able to gain substantial management and shareholding control of the Menswear Company after completion of the Acquisition. In addition, the Group intends to procure the key management personnel of the Menswear Business to enter into long term service agreements to incentivize them to remain with the Menswear Company after the Acquisition.

- 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.
- 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.
- 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 of the Transaction.

In view of the above, the Directors believe that the terms of the Transaction 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 GHL

GHL 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 GHL.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of GHL 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 Transaction are greater than 5% but less than 25%, the Transaction 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 Bosideng BVI
“Board”	the board of Directors
“Bosideng BVI”	Bosideng International Fashion Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company
“Call Option”	a conditional call option granted by GHL to Bosideng BVI 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
“Conditional Call Option Agreement”	the agreement dated 29 August 2008 between HFL, GHL and Bosideng BVI in relation to the grant by GHL of the Call Option to Bosideng BVI (as supplemented pursuant to a letter agreement dated 15 May 2009)
“Director(s)”	the director(s) of the Company
“GHL”	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
“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 GHL
“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
“Purchase Price”	an aggregate maximum purchase price of not more than RMB650,000,000 in relation to the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the exercise of the Call Option pursuant to the Conditional Call Option Agreement
“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 GHL

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

Hong Kong, 15 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.