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)

ANNUAL RESULTS FOR THE YEAR ENDED MARCH 31, 2008

HIGHLIGHTS

- Listed on October 11, 2007 on the Main Board of The Stock Exchange
- Revenue decreased by 6.3% to RMB5,279.4 million
- Gross profit margin increased by 10.3 percentage points to 45.6%
- Operating profit rose by 36.1% to RMB1,163.7 million
- Net profit attributable to equity holders surged by 81.9% to RMB1,116.9 million, which exceeded the profit forecast as disclosed in the Prospectus by 17.6%
- Basic earnings per share increased by 45.2% to RMB17.06 cents
- Proposed a final dividend of RMB6.0 cents and a special dividend of RMB2.8 cents (totalling RMB8.8 cents) per ordinary share

ANNUAL RESULTS

The board of directors (the "Board") of Bosideng International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended March 31, 2008, together with the comparative figures for the year ended March 31, 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2008

		For the year ended March 31,	
	Note	**2008**	2007
		RMB'000	*RMB'000*
Revenue	*3*	**5,279,416**	5,632,967
Cost of sales		**(2,870,614)**	(3,645,509)
Gross profit		**2,408,802**	1,987,458
Other income	*4*	**63,807**	62,545
Distribution expenses		**(1,106,599)**	(1,091,761)
Administrative expenses		**(202,262)**	(85,710)
Other expenses		**—**	(17,612)
Profit from operations	*5*	**1,163,748**	854,920
Finance income		**61,814**	3,993
Finance expenses		**(77,313)**	(34,668)
Net financing expenses	*6*	**(15,499)**	(30,675)
Profit before income tax		**1,148,249**	824,245
Income tax expenses	*7*	**(31,312)**	(210,127)
Profit for the year		**1,116,937**	614,118
Attributable to:			
Equity holders of the Company		**1,116,937**	617,593
Minority interests		**—**	(3,475)
Profit for the year		**1,116,937**	614,118

	Note	For the year ended March 31, **2008** *RMB'000*	2007 *RMB'000*
Dividends distributed during the year	*8*	**467,435**	453,160
Dividends proposed after the balance sheet date	*8*		
— final dividends		**476,196**	467,435
— special dividends		**222,225**	—
		698,421	467,435
Earnings per share	*9*		
— basic *(RMB cents)*		**17.06**	11.75
— diluted *(RMB cents)*		**16.23**	11.05

CONSOLIDATED BALANCE SHEET

At March 31, 2008

		At March 31,	
	Note	**2008**	2007
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**31,339**	30,825
Deferred tax assets		**18,928**	—
		50,267	30,825
Current assets			
Inventories	*10*	**985,421**	1,243,902
Held-to-maturity investments		**612,000**	—
Trade, bills and other receivables	*11*	**1,265,704**	854,638
Receivables due from related parties		**36,365**	468,885
Prepayments for materials and service suppliers		**262,948**	41,520
Pledged bank deposits		**2,578**	7,048
Cash and cash equivalents		**4,686,188**	507,806
		7,851,204	3,123,799
Total assets		**7,901,471**	3,154,624
EQUITY			
Share capital		**622**	5,797
Reserves		**7,086,721**	549,401
Equity attributable to equity holders of the Company		**7,087,343**	555,198
Minority interests		**1,239**	16,086
Total equity		**7,088,582**	571,284

	Note	At March 31, 2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Liability component of convertible redeemable preference shares		**—**	127,189
Deferred tax liabilities		**33,000**	—
		33,000	127,189
Current liabilities			
Interest-bearing borrowings		**60,000**	240,000
Equity holder loans		**—**	395,940
Current income tax payables		**80,000**	248,233
Trade and other payables	*12*	**617,687**	1,490,526
Payables due to related parties		**22,202**	81,452
		779,889	2,456,151
Total liabilities		**812,889**	2,583,340
Total equity and liabilities		**7,901,471**	3,154,624
Net current assets		**7,071,315**	667,648
Total assets less current liabilities		**7,121,582**	698,473

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on July 10, 2006 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the research, design and development, raw material procurement, outsourced manufacturing, marketing and distribution of branded down apparel products in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on October 11, 2007.

2. REORGANIZATION AND BASIS OF PREPARATION

(a) Reorganization

The companies now comprising the Group underwent a reorganization (the "Reorganization") to rationalize the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"). Details of the Reorganization are set out in the prospectus of the Company dated September 27, 2007 (the "Prospectus").

The Group is regarded as a continuing entity resulting from the Reorganization of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date of the Reorganisation.

Accordingly, the consolidated results of the Group for the years ended March 31, 2007 and 2008 include the results of the Company and its subsidiaries from April 1, 2006, or their respective dates of incorporation or at the date that common control was established, if later, as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at March 31, 2007 and 2008 are a consolidation of the balance sheets of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

(b) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The consolidated financial statements have been prepared on the historical cost basis except that the compound financial instruments (convertible redeemable preference shares) are stated at fair value.

For the purpose of preparing these consolidated financial statements, the Group has applied all new and revised IFRSs to the year ended March 31, 2008, except for any new or revised standards or interpretations that are not yet effective for accounting periods beginning on April 1, 2007.

3. REVENUE AND SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

(i) Business segment

The Group comprises the following main business segments:

- Down apparels — The down apparels segment carries on the business of sourcing and distributing down apparels.
- OEM management — The OEM management segment carries on the business of sourcing and distributing OEM apparels.

The segment results for the year ended March 31, 2008

Revenue and expenses

	For the year ended March 31, 2008		
	Down apparels	**OEM management**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total segment revenues	4,654,306	625,110	5,279,416
Segment results	1,003,453	50,543	1,053,996
Government grants			51,360
Unallocated income			11,581
Profit for the year			1,116,937

Assets and liabilities

	At March 31, 2008		
	Down apparels	**OEM management**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	5,481,719	159,431	5,641,150
Unallocated assets			2,260,321
Total assets			7,901,471
Segment liabilities	(760,232)	(12,638)	(772,870)
Unallocated liabilities			(40,019)
Total liabilities			(812,889)
Capital expenditures incurred	24,048	—	24,048

The segment results for the year ended March 31, 2007

Revenue and expenses

	For the year ended March 31, 2007		
	Down apparels	**OEM management**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total segment revenues	4,980,569	652,398	5,632,967
Segment results	564,179	51,422	615,601
Government grants			12,116
Unallocated expenses			(13,599)
Profit for the year			614,118

Assets and liabilities

	At March 31, 2007		
	Down apparels	**OEM management**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	2,992,891	113,666	3,106,557
Unallocated assets			48,067
Total assets			3,154,624
Segment liabilities	(1,936,330)	(60,859)	(1,997,189)
Unallocated liabilities			(586,151)
Total liabilities			(2,583,340)
Capital expenditures incurred	29,497	—	29,497

(ii) Geographical segment

As the Group mainly operates in the PRC, no geographical segment information has been presented.

4. OTHER INCOME

	For the year ended March 31,	
	2008	2007
	RMB'000	*RMB'000*
Royalty income	**12,447**	50,429
Government grants	**51,360**	12,116
	63,807	62,545

(i) Royalty income arises from the use by other entities of the Group's brands.

(ii) The Group received unconditional discretionary grants amounting to RMB51,360,000 (2007: RMB12,116,000) for the year ended March 31, 2008 from various local Chinese governments authorities in recognition of the Group's contribution to the development of the local economies.

5. PROFIT FROM OPERATIONS

The following items are included in cost of sales, distribution expenses and administrative expenses:

	For the year ended March 31,	
	2008	2007
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses included in cost of sales	**2,975,540**	3,388,900
(Reversal of)/write down of inventories to net realizable value	**(104,926)**	256,609
Depreciation	**11,637**	5,201
Operating lease charges	**29,253**	11,281
Impairment losses for bad and doubtful debts	**41,560**	17,988
Auditors' remuneration	**6,693**	300
Concessionaire fees	**265,847**	299,477
Staff costs, including directors' remuneration		
— Salaries, wages and other benefits	**110,432**	81,851
— Contributions to defined contribution plans	**6,963**	4,892
— Share-based payment expenses	**27,550**	—

6. NET FINANCING EXPENSES

	For the year ended March 31, 2008 *RMB'000*	2007 *RMB'000*
Interest income on bank deposits	**61,814**	3,993
Finance income	**61,814**	3,993
Interest on convertible redeemable preference shares	**(8,501)**	(9,380)
Interest on interest-bearing borrowings and equity holder loans wholly repayable within five years	**(46,779)**	(15,344)
Bank charges	**(4,582)**	(1,164)
Net foreign exchange loss	**(17,451)**	(8,780)
Finance expenses	**(77,313)**	(34,668)
Net financing expenses	**(15,499)**	(30,675)

No interest was capitalized during the year.

7. INCOME TAX EXPENSES

Income tax in the consolidated income statement represents:

	For the year ended March 31, 2008 *RMB'000*	2007 *RMB'000*
Current tax expenses		
Provision for PRC income tax	**17,240**	210,127
Deferred tax expenses		
Origination of temporary differences	**14,072**	—
	31,312	210,127

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Prior to December 31, 2007

The applicable tax rates of the Group's operating subsidiaries in the PRC ranged from 27% to 33% for the calendar years ended December 31, 2007 and 2006. Pursuant to the income tax rules and regulations of the PRC applicable to foreign investment enterprises (the "FEIT Law") effective as at December 31, 2007, four principal operating subsidiaries located in the PRC which became foreign investment enterprises in late 2006 started to be entitled to a tax holiday of a tax-free period for two years from January 1, 2007 and thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years.

Since January 1, 2008

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which became effective on January 1, 2008, when the FEIT Law was abolished. The New Tax Law adopts a uniform tax rate of 25% for all enterprises including foreign investment enterprises.

The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the transitional arrangement under the New Tax Law, the four principal operating subsidiaries which are foreign investment enterprises will continue to enjoy the tax-exemption or 50% reduction on the applicable income tax rates under the New Tax Law during the transitional period of five years starting from January 1, 2008 until the expiry of the tax concessions previously granted under the FEIT Law, and thereafter they are subject to the unified rate of 25%.

Applicable income tax rate of other domestic companies established in the PRC is 25%.

Pursuant to the New Tax Law, dividend distributions which arise from a foreign investment enterprise's profit earned after January 1, 2008, 10% withholding tax will be levied on the foreign investor. Deferred tax liabilities were recognized for the undistributed earnings recorded in the books and accounts of the Group's PRC subsidiaries for the period from January 1, 2008 to March 31, 2008.

8. DIVIDENDS

On August 28, 2007 and September 14, 2007, the Group declared and distributed dividends in an aggregate amount of RMB467,435,000 (2007: RMB453,160,000) to the then shareholders of companies comprising the Group.

The final dividend of RMB6.0 cents and a special dividend RMB2.8 cents per ordinary share have been proposed by the Directors and is subject to approval by the shareholders in annual general meeting. These financial statements do not reflect this dividend payable.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended March 31, 2008 was based on the profit attributable to equity shareholders of the Company for the year of RMB1,116,937,000 (2007: RMB617,593,000) and the weighted average number of shares in issue during the year ended March 31, 2008 of 6,545,665,000 (2007: 5,257,200,000). The weighted average number of shares in issue during the years ended March 31, 2008 and 2007 has been retrospectively adjusted for the effects of share split and capitalization issue took place in September 2007, as if the 5,257,200,000 shares were in issue and outstanding throughout the entire years.

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	For the year ended March 31,	
	2008	2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share, being profit for the year attributable to equity holders of the Company	**1,116,937**	617,593
Effect of dilutive potential ordinary shares:		
Interest on convertible redeemable preference shares	**8,501**	9,380
Earnings for the purpose of diluted earnings per share	**1,125,438**	626,973

	For the year ended March 31,	
	2008	2007
Number of shares *(thousands)*		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,545,665**	5,257,200
Effect of dilutive potential ordinary shares:		
Weighted average conversion number of Series A convertible redeemable preference shares	**111,638**	112,220
Weighted average conversion number of Series B convertible preference shares	**279,095**	302,353
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,936,398**	5,671,773
Basic earnings per share *(RMB cents)*	**17.06**	11.75
Diluted earnings per share *(RMB cents)*	**16.23**	11.05

10. INVENTORIES

	As at March 31,	
	2008	2007
	RMB'000	*RMB'000*
Raw materials	**27,852**	28,998
Work in progress	**10,184**	21,878
Finished goods	**947,385**	1,193,026
	985,421	1,243,902

At March 31, 2008, inventories carried at net realizable value amounted to approximately RMB557,682,000 (2007: RMB737,870,000).

11. TRADE, BILLS AND OTHER RECEIVABLES

	As at March 31,	
	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**1,048,150**	767,583
Bills receivables	**158,482**	47,030
Third party other receivables	**59,072**	40,025
	1,265,704	854,638

All of the trade, bills and other receivables are expected to be recovered within one year.

The Group normally allows a credit period ranging from 30 days to 90 days to its customers. The ageing analysis of these trade and bills receivables (net of allowances for bad and doubtful debts) is as follows:

	As at March 31,	
	2008	2007
	RMB'000	*RMB'000*
Within credit terms	**835,852**	719,936
Within 3 months	**360,129**	69,842
Over 3 months but less than 6 months	**9,597**	12,328
Over 6 months but less than 12 months	**1,054**	12,507
	1,206,632	814,613

12. TRADE AND OTHER PAYABLES

	As at March 31,	
	2008	2007
	RMB'000	*RMB'000*
Trade payables	**281,239**	542,280
Bills payable	**—**	50,000
Other payables and accrued expenses	**336,448**	898,246
	617,687	1,490,526

All of the trade and other payables are expected to be settled within one year.

An ageing analysis of trade and bills payable is set out below:

	As at March 31,	
	2008	2007
	RMB'000	*RMB'000*
Due within 1 month or on demand	**140,562**	137,420
Due after 1 month but within 3 months	**140,677**	454,860
	281,239	592,280

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The PRC is the largest manufacturer, exporter and consumer of down apparel in the world and is a global centre for down resources. It produces over 60% of global down apparel items. With the PRC's booming economic growth and rising living standard, consumers are showing an increasing demand of high quality down apparel.

Nevertheless, owing to the late arrival of the winter season in 2007/08, regional down apparel players were under financial pressure to reduce their high stock levels carried forward from the previous warm winter and triggered a wave of price-cutting battles, thereby heating up competition.

The Group believes that this consolidation will be beneficial to the long-term development of the down apparel industry as small scale, loss-making industry players are forced to exit, and a considerable amount of market inventories from previous years has been cleared. These provide a solid base for the PRC down apparel industry to achieve positive growth in the coming years.

Business Review

Maintenance of market leadership and high profitability

Despite the challenging operating environment, the Group continued to remain at the industry forefront, which has enabled it to increase market share and achieve high profitability. Facing severe price competition, the Group has leveraged its strong brand equity and design capability and placed an emphasis on boosting profitability rather than driving sheer volume growth. To this end, the Group has embarked on a differentiation strategy to distinguish its products from rivals with the offering of an optimised product mix with unique design.

All these initiatives produced noteworthy results for the year under review. *Bosideng* has been the leading down apparel brand in the PRC based on sales for 13 consecutive years since 1995, according to the China Industrial Information Issuing Centre ("CIIIC") and the National Bureau of Statistics of China in terms of sales. According to CIIIC's report issued in 2006 and 2007, amongst the top 30 down apparel brands, the market share of Bosideng's portfolio of brands, including *Bosideng*, *Snow Flying*, *Kangbo* and *Bingjie*, acquired an aggregate market share of 39.9% in China for the year 2007, as compared to a 36.1% share in 2006 held by *Bosideng*, *Snow Flying* and *Kangbo*. *Bosideng* alone accounted for a 25.9% share in 2007. Encouragingly, the *Bingjie* brand ranked ninth overall in 2007, emerging as one of China's top ten down apparel brands for the first time ever.

Awards and recognition

The Group has won a number of honours and accolades during the year under review, which is a testament to its leading position in the down apparel industry.

Major highlights of the year included the following:

- In September 2007, *Bosideng* boasts the honour of being the only apparel brand in the PRC to be awarded as "***China's World Famous Brand***" by the PRC General Administration of Quality Supervision, Inspection and Quarantine

- In March 2008, *Bosideng* won the "***Grand Achievement Award***", which was the top honour bestowed at the China Apparel Brands Annual Awards organized by the China National Garment Association. It is a true testament to the Group's position as a trendsetter in the down apparel industry

- *Bosideng* ranked among the "***Top Ten Brands***" in China with other acclaimed names such as China Life, China Mobile and Pepsi Cola, according to "Reputable Enterprises", a nationwide brand name survey conducted between December 2007 and February 2008

- In June 2007, *Kangbo's* and *Bingjie's* products are qualified as "***First Class Product***" and "***Excellent Products***" respectively by the Fashion Quantity Supervision and Inspection Center of PRC (Shanghai) (國家服裝質量監督檢驗中心(上海)) and China Fashion Association Down Apparel and Products Committee

Effective brand management and marketing

The launch of products with trendy designs has been supported by eye-catching marketing programmes to attract the high-end customers. During the year under review, the Group has worked hand-in-hand with international advertising agencies on a brand rejuvenating strategy and innovative programmes for *Bosideng*. By adopting the theme "*A More Beautiful Winter*", the Group successfully associated its down apparel with a touch of fashion and beauty. On-going brand-building initiatives cover integrated marketing programmes and comprehensive print advertising in popular fashion magazines.

As the industry leader and trendsetter, the Group released the latest 2008/09 fall/winter cold-resistant apparel designs at the "2008 China International Clothing and Accessories Fair" in March 2008. This is the annual grand event for major players in the apparel and fashion industry to showcase new down apparel fashion trends and design concepts. Bosideng, on behalf of China apparel industry, was the only company to unveil to the world the trends in winter cold-resistant clothing for the twelfth consecutive year. The introduction of these clothing presented a chic and modern image embodying the trendy and leisure style of *Bosideng*, and has garnered high praise from industry peers and the public.

During the year under review, the Group strategically repositioned *Snow Flying*, the second largest revenue contributor of the Group, as a premier sports down apparel brand to differentiate it from *Bosideng*. *Snow Flying* targets customers who go for an energetic lifestyle and the Group has implemented all-rounded marketing and promotion campaigns, participated in sports activities and sponsored sports events while *Kangbo* and *Bingjie* target the mid-end mass market.

Enhanced product mix with unrivalled product research, design and development

The Group believes that strengthening and enriching its product design without compromising the functional features of its down apparel are crucial to its long-term success. To enhance product competitiveness, the Group's design focus has been increasingly transforming from sheer functional apparel to value-added fashionable clothing that integrates colourful designs, new fabrics and trendy styles. The broadened range of products has optimised the Group's product portfolio and appealed to consumers of different age groups and with varying tastes.

In line with its strategy of broadening its product offering, the Group has committed resources to enhance its product mix with the addition of versatile light-weight items that are wearable in late autumn and early spring.

To further strengthen its design capability, the Group collaborated with designers in France and Korea to obtain first-hand information on the latest international trends. The Group's product design team also regularly conducts research and stays abreast of the latest fashion trends. This is done by participating in various trade exhibitions and by closely analysing sales performance data to identify customer needs.

With respect to product quality, the Group incorporated innovative fabrics and materials that are odourless, offer anti-bacterial protection, and are both water-and stain-repellent for a selected range of down apparel items.

In terms of new product development, the Group presented a brand new non-down and non-seasonal apparel product line under the *Bosideng* brand. These new products were presented at the "2008 China International Clothing and Accessories Fair" held in March 2008.

Extensive sales and distribution network

The Group's products are distributed through an extensive retail distribution network across the PRC. The Group is continually and actively taking steps to maintain its network expansion at a reasonable pace and to enhance the quality of its distribution network. New outlets were added in modern department stores or at prime locations during the year under review. At the same time, distributors that did not conform to the Group's standards or retail stores showing weak performance were eliminated or relocated to better locations.

Retail network composition by outlet type

Store types	As at March 31, 2008	2007	Change
Specialty stores			
— Operated by the Group	**3**	3	—
— Operated/Supervised by third party distributor	**5,057**	4,956	+101
	5,060	4,959	+101
Concessionary retail outlets			
— Operated by the Group	**1,110**	1,018	+92
— Operated/Supervised by third party distributors	**947**	867	+80
	2,057	1,885	+172
Total	**7,117**	6,844	+273

Retail network composition by geographical location

Sales regions	As at March 31, 2008	2007	Change
Shandong Province	**771**	749	+22
Eastern China	**1,230**	1,194	+36
South Eastern China	**684**	666	+18
Central China	**1,426**	1,381	+45
Northern China	**802**	768	+34
North Eastern China	**858**	832	+26
North Western China	**1,346**	1,254	+92
Total	**7, 117**	6,844	+273

Efficient supply chain management

The Group continued to exercise stringent control at every step of the supply chain and effectively managed its product quality with a competitive cost structure. To strengthen its network management capability and shorten lead times to replenish products at the retail level, the Group implemented an enhancement programme to upgrade its ERP system and to extend the coverage to a greater number of outlets in the year under review. This facilitates more timely access to key operational data and allows quicker responses to market changes.

Financial Review

Revenue

The Group's revenue for the year ended March 31, 2008 decreased by 6.3% year-on-year to RMB5,279.4 million. This is mainly due to the Group's strategy of maintaining profitability and enhancing long-term competitiveness through brand and product differentiation. While its industry rivals focused on driving volume growth through aggressive price cutting measures to liquidate stocks, the Group maintained its average selling price, and thus profitability, at a stable level with the launch of new value-added products. At a result, sales of the Group's branded down apparel declined by 6.6% year-on-year to RMB4,654.3 million, while revenue from OEM management operations also posted a 4.2% decrease due to the appreciation of Renminbi against the US Dollars. These two businesses accounted for 88.2% and 11.8% of the Group's revenue respectively.

A revenue analysis of down apparel sales by brand is set out below:

Revenue analysis by branded down apparel

	Year ended March 31,			
Brands	**2008**		2007	
	(RMB million)	***% of total down apparel revenue***	*(RMB million)*	*% of total down apparel revenue*
Bosideng	**2,714.6**	**58.3%**	2,594.2	52.1%
Snow Flying	**1,047.8**	**22.5%**	1,486.2	29.8%
Bingjie	**456.0**	**9.8%**	470.0	9.4%
Kangbo	**333.1**	**7.2%**	386.3	7.8%
Other brands	**92.5**	**2.0%**	24.2	0.5%
Others	**44.2**	**0.9%**	61.5	1.2%
Sub-total	**4,688.2**	**100.7%**	5,022.4	100.8%
Sales rebates	**(33.9)**	**(0.7%)**	(41.8)	(0.8%)
Total down apparel revenue	**4,654.3**	**100.0%**	4,980.6	100.0%

To avoid inter-brand competition and cross-cannibalisation, the Group, as a multi-brand owner, underwent a strategic repositioning of its brand portfolio. In particular a clear differentiation was made between the Group's two largest revenue contributors, *Bosideng* and *Snow Flying*. While *Bosideng* remained as a high-end brand targeting consumers with stronger spending power who sought trendy and fashionable designs, *Snow Flying* was repositioned as a sporty-design down apparel brand that appealed to a group of customers who embrace energetic lifestyles. As a result of such brand repositioning strategy, *Bosideng* sales posted a 4.6% growth to RMB2,714.6 million, accounting for

58.3% of the Group's down apparel sales, versus a 29.5% decline in sales of the *Snow Flying* products to RMB1,047.8 million. The latter accounted for 22.5% of the Group's down apparel sales, as compared to 29.8% in the previous year.

Kangbo and *Bingjie* offer colourful, youthful down apparel lines for mainly men and ladies respectively, and target a group of younger customers. Facing head-on price competition from other low-price products, *Kangbo* and *Bingjie* recorded revenues of RMB333.1 million and RMB456.0 million, which represented a decline of 13.8% and 3.0% respectively.

A breakdown of the revenue by sales methods is set out below:

Revenue analysis by sales methods

	Year ended March 31,			
	2008		2007	
	(RMB million)	***% of total revenue***	*(RMB million)*	*% of total revenue*
Branded down apparel				
• Outright sales	**3,327.8**	**63.1%**	3,487.2	61.9%
• Consignment sales	**1,282.3**	**24.3%**	1,431.9	25.4%
• Others*	**44.2**	**0.8%**	61.5	1.1%
Total down apparel revenue	**4,654.3**	**88.2%**	4,980.6	88.4%
OEM management	**625.1**	**11.8%**	652.4	11.6%
Total revenue	**5,279.4**	**100%**	5,633.0	100%

* Represents sales primarily of raw materials related to down products.

A majority of the Group's products were sold through outright sales, which accounted for 71.5% of the Group's branded down apparel revenue, as compared to 70.0% in the previous year.

Cost of sales and gross profit

The Group's cost of sales as a percentage of revenue decreased considerably from 64.7% in the previous year to 54.4% this year. This is mainly attributable to stringent cost control measures and the benefits of a decline in down material prices.

With a further 5.3% growth in average selling price of down apparel, the Group's overall gross profit margin, therefore, expanded by 10.3% points to 45.6% during the year under review.

Cost of sales included the cost of branded down apparel as well as the cost of OEM management operations, accounting for 82.0% and 18.0% of the Group's total cost of sales respectively, compared to 84.9% and 15.1% during the previous year.

Operating expenses

The Group's operating expenses, which mainly comprise distribution and administration expenses, accounted for 24.8% of the Group's revenue, compared to 20.9% in the previous year.

Notwithstanding the difficult competitive landscape, the Group exercised stringent cost control measures to ensure profitability and long-term competitiveness. The Group's distribution costs amounted to approximately RMB1,106.6 million, representing a slight increase of 1.4% from last year's comparative and 21.0% of the Group's revenue. Advertising and promotion expenses of the year under review stayed at 10.5% of the Group's revenue, as compared to 10.2% in the previous year.

The administrative expenses of the Group, which mainly include salary and welfare outlays as well as travel and office expenses, amounted to RMB202.3 million, representing an increase of 136.0% from last year's comparative and a 3.8% of the Group's revenue for the year under review. The increase was mainly due to increases in salaries and staff-related costs arising from increased staff headcounts in the management team and the introduction of share-based incentive scheme, increase in the provision for bad and doubtful debts and general office expenses in relation to the preparation of Listing.

Operating profit

During the year under review, the Group's operating profit rose 36.1% to RMB1,163.7 million. Operating profit margin was 22.0%, an increase of 6.9 percentage points as compared to that of the previous year.

Finance costs and taxation

The Group's finance costs for the year under review increased by 123.0% to RMB77.3 million due to loans and bank borrowings raised for daily operations and the settlement of related party balances. Net finance expenses, after deducting interest income which was mainly generated from proceeds from Listing, amounted to RMB15.5 million as compared to RMB30.7 million in the previous year.

For the year ended March 31, 2008, income tax expenses amounted to RMB31.3 million, representing a sharp decrease of RMB178.8 million. Four principal operating subsidiaries in the PRC, being foreign investment enterprises, started to be entitled to a tax-free period for two years from January 1, 2007, followed by a further 3-year tax exemption of 50% of the applicable tax rate. Therefore, a substantial portion of the Group's profit was exempt from tax during the year under review.

Liquidity and financial resources

The Group adopted prudent funding and treasury management policies while maintaining a healthy overall financial position. The Group's source of funding was mainly from the proceeds of its initial public offering ("IPO proceeds")and short-term bank borrowings.

For the year ended March 31, 2008, the Group's net cash used in operating activities amounted to RMB194.9 million, as compared to a net cash inflow of RMB65.5 million during the same period in 2007. In order to gain early settlement discounts and to lock in raw material prices to ensure a stable supply at relatively low costs, the Group sped up the pace of settling trade payables.

Net cash generated from financing activities for the year ended March 31, 2008 increased to RMB5,202.7 million from RMB226.4 million in the previous year, primarily as a result of IPO proceeds of RMB6,012.0 million as well as the settlement of advances by related parties before the Listing. Cash and cash equivalents as at March 31, 2008 was in the amount of RMB4,686.2 million, as compared to RMB507.8 million as at March 31, 2007. As at March 31, 2008, the Group also invested IPO proceeds in yield enhancement products amounting to RMB612.0 million.

As at March 31, 2008, the Group's total loans and bank borrowings decreased to RMB60.0 million from RMB635.9 million as at March 31, 2007. The decrease relates mainly to the settlement of related party balances and bank borrowings. As at March 31, 2008, the gearing ratio (total loans and bank borrowings/total equity) of the Group was 0.8%, representing a considerable improvement from 1.1 times as at March 31, 2007.

Contingent liabilities

As at March 31, 2008, the Group had no material contingent liabilities or commitments.

Pledge of assets

As at March 31, 2008, bank deposits amounting to approximately RMB2.6 million had been pledged to secure the Group's banking facilities.

Financial management and treasury policy

The financial risk management of the Group is the responsibility of the Group's treasury function at our head office. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuations in interest rates and foreign currency exchange rates.

Foreign currency exposure

The business operations of the Group were conducted mainly in the PRC with revenues and expenses denominated in RMB. Some of the Group's cash and bank deposits, including IPO proceeds, were denominated in Hong Kong Dollars or US Dollars. Any significant exchange rate fluctuations of Hong Kong Dollars or US Dollars against Renminbi may have a financial impact to the Group.

As at March 31, 2008, the Directors of the Company considered the Group's foreign exchange risk to be insignificant.

During the year under review, the Group did not use any financial instruments for hedging purposes. However, the Group will continue to monitor the exposure of IPO proceeds to foreign exchange fluctuations.

Business Outlook

Going forward, the Group holds a positive outlook. Diminishing competitiveness and profitability of small regional down apparel players are seen after a year of keen competition. Certain players of smaller scales are forced out of the market. This puts market leaders with strong brand equity in an advantageous position to benefit from market consolidation. The Group's primary goal is to further strengthen its leading position in the PRC down apparel industry and leverage its strong *Bosideng* brand as well as extensive business and distribution network to expand into the non-down apparel sector. The Group further capitalises on the rising demand for down apparel by introducing a diverse range of products under a portfolio of brands that cater to the needs of different market segments, while selectively diversifying into new product offerings and new markets.

The Group is poised to achieve these goals through a business strategy that contains the following key aspects:

Strengthening and expanding retail distribution network of down apparel products

The Group will further strengthen its retail network by enhancing the quality of its existing point of sales, adding new concessionary stores at modern mid- to high-end department stores and establishing new self-operated retail stores in tier-one cities, provincial capitals, and other main urban areas for brand building purposes. The Group also plans to further enhance its overall store image through the use of standardised modern interior décor and visual merchandising as well as the further upgrading of the ERP system for the collection and analysis of sales data.

Launch of non-down apparel product lines in the pipeline

To complement its existing product portfolio, the Group has established a separate business and product development teams for non-down apparel products. A product preview was presented in March 2008 in Beijing which garnered positive feedback. The new product series will be launched in the second half of this fiscal year, enabling the Group to leverage its strong brand equity to ease the seasonality issue of the down apparel business. Establishment of designated retail point of sales for this new product line is also underway.

Strengthening brand differentiation, brand loyalty and reputation through targeted marketing efforts

The Group will continue to periodically review its branding strategies and monitor their effectiveness. It will work closely with external consultants to define a unique branding and marketing strategy to maximise the benefits to the existing down apparel as well as non-down apparel businesses in the pipeline. The ultimate goal is to bolster the brand equity and extend the influence of the Bosideng brand to other segments in the apparel sector.

To penetrate different market segments ahead of other industry players, the Group will continue advertising on prime television channels, renowned publications and magazines and appear in strategic outdoor venues with high pedestrian flow. It will also continue to sponsor sports and promotional events when suitable opportunities arise and maintain market visibility through fashion shows and trade fairs.

Bolstering the product research, design and development capabilities

The Group will continue to expand and strengthen its research, design and development team while fostering closer collaboration with domestic and internationally renowned research institutions to develop and apply new fabric materials to strengthen product competitiveness. The Group also plans to establish a quality inspection centre to strengthen its products competitiveness.

Enhancing supply chain management and logistics management

The Group plans to further upgrade its management information system in various phases, enhance the coverage and analytical functions of its ERP system and generally extend the operational scope to both upstream and downstream segments of the supply chain within three years. These system upgrades will provide the Group with a comprehensive assessment of the performance of its entire supply chain to expedite its response to market changes. The Group also intends to establish a quality inspection centre to ensure its adherence to quality control standards at every stage of the supply chain.

To facilitate swift response to market changes and timely replenishment of stocks, the Group will also upgrade its logistics management by realigning resources from existing management teams. A consultancy firm has been commissioned to review the current inventory management and logistics arrangement so as to offer solutions on future enhancements in this respect.

Explore expansion opportunities through mergers and acquisitions

Leveraging its wealth of experience in the down apparel sector and in-depth market understanding, as well as an extensive retail network in the PRC market, the Group will continue to identify appropriate opportunities for mergers and acquisitions of premium and renowned apparel brands that offer good development potential for brand expansion and a broadened product portfolio.

Human Resources

As at March 31, 2008, the Group had approximately 1,437 full-time employees (March 31, 2007: 1,034 full-time employees). Staff costs for the year ended March 31, 2008 (including Directors' remuneration in the form of salaries and other allowances) totalled RMB144.9 million (2007: RMB86.7 million). This increase was mainly due to a share-based compensation scheme and expansion of the distribution network. The Group's salary and bonus policy is determined primarily by the performance and work experience of each individual employee based on prevailing market conditions.

To attract and retain skilled and experienced personnel and to motivate them to strive for the future development and expansion of business, the Group offers a share scheme as well as a share option scheme ("Share Option Scheme").

As at March 31, 2008, there have not been any share options granted under the Share Option Scheme.

Final and Special Dividends

The Board has recommended the payment of a final dividend of RMB6.0 cents per ordinary share for the year ended March 31, 2008. In addition, in consideration of the outstanding results for the financial year ended March 31, 2008 and to offer a higher reward to the shareholders, the Board has recommended the payment of a special dividend of RMB2.8 cents per ordinary share in addition to its historical rate of dividend payout. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on or around September 26, 2008 and are payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on July 18, 2008. Upon shareholders' approval, the proposed final and special dividends will be paid on or around October 10, 2008 to shareholders whose names shall appear on the register of members of the Company on September 26, 2008.

Closure of Register of Members

The register of members of the Company will be closed from September 23, 2008 to September 26, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final and special dividends payable on October 10, 2008 and to determine the identity of the members who are entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on September 22, 2008.

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of any of the listed securities of the Company by the Company or any of its subsidiaries since the date of Listing up to and including March 31, 2008.

For the period commencing April 1, 2008 up to the date of this announcement, the Company had repurchased 57,726,000 Shares on the Stock Exchange at an aggregate consideration of HK$82.7 million before expenses. Details of the Share repurchases are as follows:

Month of repurchases	**Number of Shares repurchased**	**Highest price paid per Share**	**Lowest price paid per Share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
April 2008	4,942,000	1.48	1.44	7,267.8
May 2008	15,568,000	1.48	1.42	22,712.7
June 2008	37,216,000	1.48	1.35	52,708.6
Total	57,726,000			82,689.1

The repurchased Shares were cancelled on delivery of the share certificates during the year. The Directors are of the view that such repurchases have the effect of enhancing the underlying net asset value of the outstanding issued shares of the Company and would benefit the shareholders as a whole. Depending on the market circumstances, the Company may undertake further share repurchases as the Directors may consider to be appropriate.

Code on Corporate Governance Practices

The Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices ("Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the date of Listing up to and including March 31, 2008, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Mr. Gao Dekang is the Chairman and CEO of the Company and the founder of the Group. The Board believes that it is necessary to vest the roles of Chairman and CEO in the same person due to its unique role, Mr. Gao Dekang's experience and established market reputation in China's down apparel industry, and the importance of Mr. Gao Dekang in the strategic development of the Company. This dual role provides strong and consistent market leadership and is critical for efficient business planning and decisions of the Company. As all major decisions are made in consultation with members of the Board and the relevant Board committees, and there are four independent non-executive directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code since the date of Listing up to and including March 31, 2008.

Audit Committee

The audit committee of the Company (the "Audit Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to Rule 3.21 of the Listing Rules and paragraph C3 of the Code, whose primary duties are to review and supervise the financial reporting process and internal control procedures of the Group, nominate and monitor external auditors, and perform other duties and responsibilities as assigned by the Board. The Group's results for the year ended March 31, 2008 have been reviewed by the Audit Committee and agreed by KPMG (the Company's external auditors). As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Ngai Wai Fung (Chairman), Mr. Dong Binggen and Mr. Jiang Hengjie.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to paragraph B1 of the Code, whose primary duties are to evaluate the performance and make recommendations on the remuneration packages of the directors and senior management, and evaluate and make recommendations on the retirement scheme, performance assessment system and bonus and commission policies. The remuneration committee consists of five members, comprising three independent non-executive directors, one non-executive director and one executive director (namely Mr. Gao Dekang (Chairman), Mr. Shen Jingwu, Mr. Dong Binggen, Mr. Jiang Hengjie and Mr. Wang Yao).

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to paragraph A.4.5 of the Code, which primary functions are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee consists of three members, comprising two independent non-executive Directors and one executive director (namely Mr. Gao Dekang (Chairman), Mr. Dong Binggen and Mr. Jiang Hengjie).

Publication of Final Results on the Websites Of The Stock Exchange and the Company

This announcement will be published on the website of the Stock Exchange and the Company's website (http://company.bosideng.com). The annual report for the year ended March 31, 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

On behalf of the Board of Directors, I wish to express my sincere gratitude to our shareholders, distributors, customers and business partners for their continued support, and to our employees for their dedication and hard work.

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

Hong Kong, July 18, 2008

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.