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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

HIGHLIGHTS

- Revenue increased by 47.4% to approximately RMB2,739.1 million
- Gross profit margin increased by 1.5 percentage points to 39.4%
- Profit from operation increased by 228.4% to approximately RMB275.9 million
- Net profit attributable to equity holders of the Company increased by 196.1% to approximately RMB327.4 million
- Interim dividend of RMB3.8 cents per ordinary share was declared by the Board

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Bosideng International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended September 30, 2011, together with the unaudited comparative figures for the corresponding period in 2010. These interim financial statements have not been audited, but have been reviewed by the auditors, KPMG, and the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Note	Six months ended September 30, 2011	Six months ended September 30, 2010 *(unaudited)*
		RMB'000	*RMB'000*
Revenue	4	**2,739,114**	1,858,284
Cost of sales		**(1,659,808)**	(1,154,022)
Gross profit		**1,079,306**	704,262
Other income	5	**28,040**	9,849
Distribution expenses		**(644,495)**	(451,687)
Administrative expenses		**(179,000)**	(162,896)
Other expenses	5	**(7,981)**	(15,518)
Profit from operations		**275,870**	84,010
Finance income		**99,908**	102,183
Finance costs		**(21,457)**	(8,657)
Net finance income	7	**78,451**	93,526
Profit before income tax		**354,321**	177,536
Income tax expense	8	**(27,772)**	(67,010)
Profit for the period		**326,549**	110,526
Other comprehensive income for the period:			
Foreign translation differences – foreign operations		**11,495**	(6,519)
Net change in fair value of available-for-sale financial assets		**(17,923)**	(40,237)
Income tax on other comprehensive income		**2,118**	4,693
Other comprehensive income for the period, net of income tax		**(4,310)**	(42,063)
Total comprehensive income for the period		**322,239**	68,463
Profit attributable to:			
Equity shareholders of the Company		**327,398**	110,565
Non-controlling interests		**(849)**	(39)
Profit for the period		**326,549**	110,526
Total comprehensive income attributable to:			
Equity shareholders of the Company		**323,088**	68,502
Non-controlling interests		**(849)**	(39)
Total comprehensive income for the period		**322,239**	68,463
Earnings per share			
– basic and diluted (RMB cents)	10	**4.21**	1.42

CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2011 (UNAUDITED)

	Note	**At September 30, 2011** *RMB'000*	At March 31, 2011 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**600,991**	313,382
Investment properties		**18,579**	—
Lease prepayments		**30,868**	31,203
Intangible assets		**501,224**	509,453
Prepayment for purchase of properties		**151,691**	—
Deferred tax assets		**223,458**	171,031
		1,526,811	1,025,069
Current assets			
Inventories	11	**2,157,654**	1,214,783
Trade, bills and other receivables	12	**1,693,802**	1,046,527
Receivables due from related parties		**61,641**	97,127
Prepayments for materials and service suppliers		**856,282**	730,587
Available-for-sale financial assets		**751,449**	1,519,102
Pledged bank deposits		**713,123**	760,378
Time deposits with maturity over 3 months		**511,510**	1,300,479
Cash and cash equivalents		**1,756,780**	1,417,629
		8,502,241	8,086,612
Current liabilities			
Current income tax liabilities		**227,623**	199,254
Interest-bearing borrowings		**1,455,098**	586,880
Trade and other payables	13	**1,900,873**	1,178,692
Payables due to related parties		**14,163**	14,365
		3,597,757	1,979,191
Net current assets		**4,904,484**	6,107,421
Total assets less current liabilities		**6,431,295**	7,132,490
Non-current liabilities			
Deferred tax liabilities		**147,417**	165,759
		147,417	165,759
Net assets		**6,283,878**	6,966,731
Equity			
Share capital		**607**	607
Reserves		**6,190,575**	6,872,579
Equity attributable to equity shareholders of the Company		**6,191,182**	6,873,186
Non-controlling interests		**92,696**	93,545
Total equity		**6,283,878**	6,966,731

Notes:

1. REPORTING ENTITY AND CORPORATE INFORMATION

Bosideng International Holdings Limited (the "Company") was incorporated in the Cayman Islands on July 10, 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the research, design and development, raw materials procurement, outsourced manufacturing, marketing and distribution of branded down apparel products, original equipment manufacturing ("OEM") products and branded menswear apparel products in the People's Republic of China (the "PRC").

In 2011, the Group acquired several properties in the United Kingdom (the "U.K."), one of which will function as the Group's European flagship store as well as its headquarter in Europe. At September 30, 2011, the property was under construction and the Group's European business was at pre-operation status.

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 (the "Listing Date").

2. BASIS OF PREPARATION

The Company has a financial year end date of March 31. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB").

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains the condensed interim consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended March 31, 2011 were issued on June 28, 2011 (the "2010/11 Annual Financial Statements"). The condensed interim consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the 2010/11 Annual Financial Statements.

The interim financial report for the six-month period ended September 30, 2011 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors (the "Board") on November 29, 2011. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended March 31, 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The 2010/11 Annual Financial Statements are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated June 28, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the 2010/11 Annual Financial Statements and should be read in conjunction with the 2010/11 Annual Financial Statements.

(a) New or revised standards and interpretations

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), Related party disclosures

- Improvements to IFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments of IFRS related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

(b) Accounting policies for new transactions

The Group acquired several properties in U.K., including certain land and investment properties, in the six months ended September 30, 2011. The related accounting policies are set out as follows:

(i) Land

Freehold land with unlimited useful life is measured at cost and not depreciated.

(ii) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives. Depreciation methods, useful lives and residual values are re-assessed at each financial year-end and adjusted if appropriate.

Rental income from investment properties is recognized in profit or loss in equal installments over the periods covered by the lease term.

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organized by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments.

– Down apparels: The down apparels segment carries on the business of sourcing and distributing branded down apparels.

– OEM: The OEM management segment carries on the business of sourcing and distributing OEM apparels.

– Non-down apparels: The non-down apparels segment carries on the business of sourcing and distributing non-seasonal apparels, including branded apparels of menswear, casual wear and kids wear.

(a) Segment results

	For the six months ended September 30, 2011 *(unaudited)*			
	Down apparels *RMB'000*	**OEM management** *RMB'000*	**Non-down apparels** *RMB'000*	**Group** *RMB'000*
Revenue from external customers	**1,775,381**	**631,099**	**332,634**	**2,739,114**
Inter-segment revenue	**—**	**—**	**4,829**	**4,829**
Reportable segment revenues	**1,775,381**	**631,099**	**337,463**	**2,743,943**
Reportable segment profit from operations	**126,490**	**104,185**	**73,074**	**303,749**
Depreciation	**16,859**	**317**	**10,040**	**27,216**

	For the six months ended September 30, 2010 *(unaudited)*			
	Down apparels *RMB'000*	OEM management *RMB'000*	Non-down apparels *RMB'000*	Group *RMB'000*
Revenue from external customers	1,209,203	518,319	130,762	1,858,284
Inter-segment revenue	—	—	5,111	5,111
Reportable segment revenues	1,209,203	518,319	135,873	1,863,395
Reportable segment profit from operations	53,988	74,496	577	129,061
Depreciation	12,233	104	6,069	18,406

(b) Reconciliations of reportable segment revenues and profit before income tax

	For the six months ended September 30	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Reportable segment revenues	**2,743,943**	1,863,395
Elimination of inter-segment revenue	**(4,829)**	(5,111)
Consolidated revenue	**2,739,114**	1,858,284

	For the six months ended September 30	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit before income tax		
Reportable segment profit derived from the Group's external customers	**303,749**	129,061
Amortization expenses	**(8,564)**	(8,568)
Government grants	**19,640**	3,299
Unallocated expenses	**(38,955)**	(39,782)
Finance income	**99,908**	102,183
Finance costs	**(21,457)**	(8,657)
Consolidated profit before income tax	**354,321**	177,536

(c) Geographic information

Except for the land and buildings, construction in progress and investment properties of RMB237,268,000 (March 31, 2011: Nil) located in U.K., all of the Group's property, plant and equipment, investment property and intangible assets are located in mainland China at September 30, 2011.

The geographical location of an asset is based on the physical location of the asset, in the case of property, plant and equipment and investment property, and the location of the operation to which they are allocated, in the case of intangible assets.

At September 30, 2011, the Group's European business is at pre-operation status and no revenue from third party is derived from its European operation for the six months ended September 30, 2011.

5. OTHER INCOME AND EXPENSES

	Note	**Six months ended September 30, 2011** ***RMB'000*** ***(unaudited)***	Six months ended September 30, 2010 *RMB'000* *(unaudited)*
Royalty income	(i)	**7,800**	6,550
Government grants	(ii)	**19,640**	3,299
Rental income		**600**	—
Other income		**28,040**	9,849
Other expenses - donations		**(7,981)**	(15,518)

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

(ii) The Group received unconditional discretionary grants amounting to RMB19,640,000 for the six months period ended September 30, 2011 (2010: RMB3,299,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

6. EXPENSES BY NATURE

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

	Six months ended September 30, 2011 ***RMB'000*** ***(unaudited)***	Six months ended September 30, 2010 *RMB'000* *(unaudited)*
Cost of inventories recognized as expenses included in cost of sales	1,618,405	1,196,643
Write-down/(Reversal) of inventories to net realizable value	41,403	(42,621)
Depreciation	27,216	18,406
Amortization	8,564	8,568
Operating lease charges	79,215	57,350
Provision of impairment of bad and doubtful debts	3,713	34,657

7. NET FINANCE INCOME

	Six months ended September 30, 2011 *RMB'000* *(unaudited)*	Six months ended September 30, 2010 *RMB'000* *(unaudited)*
Recognized in profit or loss:		
Interest income on held-to-maturity investments	**—**	3,732
Interest income on bank deposits	**36,272**	27,077
Interest income on available-for-sale financial assets	**43,027**	71,374
Net foreign exchange gain	**20,609**	—
Finance income	**99,908**	102,183
Interest on interest-bearing borrowings	**(6,365)**	—
Bank charges	**(15,092)**	(2,069)
Net foreign exchange loss	**—**	(6,588)
Finance costs	**(21,457)**	(8,657)
Net finance income recognized in profit or loss	**78,451**	93,526
Recognized in other comprehensive income:		
Foreign translation differences - foreign operations	**11,495**	(6,519)
Net change in fair value of available-for-sale financial assets	**(17,923)**	(40,237)
Income tax on finance income recognized in other comprehensive income	**2,118**	4,693
Net finance cost recognized in other comprehensive income, net of tax	**(4,310)**	(42,063)

No interest was capitalized during the periods.

8. INCOME TAX EXPENSE

Income tax in profit or loss represents:

	Six months ended September 30, 2011 ***RMB'000*** ***(unaudited)***	Six months ended September 30, 2010 *RMB'000* *(unaudited)*
Current tax		
Provision for PRC income tax	**81,251**	39,363
Deferred tax		
(Reversal)/origination of temporary differences	**(53,479)**	27,647
	27,772	67,010

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

(ii) No tax provision has been made for International Company Bosideng Ltd., Bosideng America Inc. and Bosideng U.K. Limited, subsidiaries of the Group incorporated in Russia, the United States (the "US") and the U.K. respectively, as they do not have assessable profits subject to any Russian, US or U.K. income tax during the period.

(iii) No tax provision has been made for Long Pacific (H.K.) Ltd. and Rocawear (China) Limited, as they do not have assessable profits subject to Hong Kong Profits Tax during the period.

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

On March 16, 2007, the PRC government enacted the new Enterprise Income Tax law ("new EIT law"), which unified the income tax rate to 25% for all companies. The new EIT law was effective as of January 1, 2008. Consequently, the Group's domestic subsidiaries established in the PRC are subject to income tax at 25% from 2008 onwards, except for those subsidiaries of the Group that are foreign investment enterprises, which will continue to enjoy tax-exemption or 50% reduction on the applicable income tax rates under the new EIT Law during the transitional period of five years starting from January 1, 2008 until the expiry of the tax holidays previously granted under the old Foreign Enterprise Income Tax Law. Thereafter these subsidiaries are subject to the unified rate of 25%.

The effective tax rate for the six months ended September 30, 2011 is approximately 7.8%. The decrease from the prior period comparative effective tax rate of approximately 37.7% is mainly attributable to withholding tax of RMB 31 million having been accrued on the undistributed retained earnings of the Group's PRC subsidiaries during the six months ended September 30, 2010 and to different tax rates applying to timing differences on transactions between the Group's subsidiaries.

9. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the periods.

	Six months ended September 30, 2011 *RMB'000* *(unaudited)*	Six months ended September 30, 2010 *RMB'000* *(unaudited)*
Interim dividend declared and paid of RMB3.8 cents per ordinary share (2010: interim dividend of RMB6.5 cents per ordinary share)	304,279	505,203

The interim dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, approved and paid during the periods.

	Six months ended September 30, 2011 *RMB'000* *(unaudited)*	Six months ended September 30, 2010 *RMB'000* *(unaudited)*
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB 6.8 cents per ordinary share (2010: final dividend of RMB8.8 cents per ordinary share)	**528,520**	683,967
Special dividend approved and paid during the period, of RMB 6 cents per ordinary share (2010: nil)	**466,341**	—
	994,861	683,967

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended September 30, 2011 was based on the profit attributable to equity shareholders of the Company for the six months of RMB 327,398,000 (2010: RMB110,565,000) and the weighted average number of shares in issue during the six months ended September 30, 2011 of 7,772,225,891 (2010: 7,772,350,000).

11. INVENTORIES

	At September 30, 2011	At March 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Raw materials	**319,963**	117,214
Work in progress	**312,356**	22,666
Finished goods	**1,525,335**	1,074,903
	2,157,654	1,214,783

At September 30, 2011, the carrying amount of inventories carried at net realizable value amounted to approximately RMB 153,346,000 (March 31, 2011: RMB226,094,000).

12. TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2011	At March 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**1,195,309**	560,807
Bills receivables	**48,737**	82,077
	1,244,046	642,884
Third party other receivables:		
• VAT recoverable	**155,299**	114,189
• Deposits	**226,665**	108,104
• Advances to employees	**14,858**	3,963
• Deposit within an escrow account	**—**	130,000
• Others	**52,934**	47,387
	1,693,802	1,046,527

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 from the date of billing to its customers. As at September 30, 2011, trade and bills receivables of approximately RMB 103,063,000 (March 31, 2011: RMB59,294,000) were past due but considered to be not impaired. These relate to a number of independent customers in respect of whom there is no recent history of default. The ageing analysis of trade and bills receivables (net of impairment losses on bad and doubtful debts) is as follows:

	At September 30, 2011	At March 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within credit terms	**1,140,983**	583,590
1 to 3 months past due	**90,466**	51,121
Over 3 months but less than 6 months past due	**1,941**	528
Over 6 months but less than 12 months past due	**4,199**	1,378
Over 1 year past due	**6,457**	6,267
	1,244,046	642,884

13. TRADE AND OTHER PAYABLES

	At September 30, 2011	At March 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**923,330**	333,429
Other payables and accrued expenses		
• Deposits from customers	**629,498**	359,531
• Accrued rebates and commissions	**150,513**	165,141
• Accrued advertising expenses	**31,919**	52,424
• Accrued payroll and welfare	**117,618**	97,862
• Contingent consideration payables	**—**	130,000
• Dividends payable	**5,000**	5,000
• Others	**42,995**	35,305
	1,900,873	1,178,692

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

An ageing analysis of trade payables is set out below:

	At September 30, 2011	At March 31, 2011
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Due within 1 month or on demand	**118,000**	108,326
Due after 1 month but within 3 months	**805,330**	225,103
	923,330	333,429

14. NON-ADJUSTING POST-BALANCE SHEET EVENTS

(a) Interim dividends

Subsequent to September 30, 2011, the Board of the Company declared an interim dividend of RMB3.8 cents per ordinary share to equity holders of the Company on November 29, 2011.

(b) Acquisition of subsidiaries

On October 28, 2011, Jessie International Holdings Limited, a subsidiary of the Group, entered into an agreement (the "Agreement") with Talent Shine International Limited (the "Vendor"), an independent third party, to acquire 70% equity interest (the "Acquisition") of each of Talent Shine Limited and Sunny Bright Global Investments Limited (collectively referred to as "Target Companies").

The Target Companies own several ladies' wear brands such as "JESSIE" and "Le Mauve" , and provide various services such as ladies' wear design, brand marketing and planning. The Target Companies also sell ladies' apparels of the "JESSIE" brand by way of self-operated and franchised businesses in the PRC. The Group considers that the acquisition will strengthen its status in the ladies apparel business.

Pursuant to the Agreement, the total nominal consideration payable by the Group includes initial nominal consideration of RMB892.5 million, which is subject to adjustment, and a put option granted to the Vendor by the Group, details of which are as follows:

- The initial nominal consideration shall be satisfied by a combination of the allotment and issue of 235,000,000 consideration shares calculated at nominal price of HKD3.1 per share by the Group to the Vendor and cash payment of the remaining balance. The initial nominal consideration is subject to subsequent adjustments to be calculated based on the operating result of Target Companies in 2011, 2012, 2013 and 2014 and the total initial nominal consideration, in any event, shall not exceed RMB 945 million.

- The Group grants to the Vendor a put option at nil consideration to require the Group to acquire the Vendor's shareholding in each of the Target Companies, on terms no less favorable than those applicable to the Acquisition, should the Target Companies fail to get listed on any stock exchange before 2014. In any event, the total consideration payable to the Vendor should it decide to exercise the put option shall not exceed RMB900 million.

On 4 November 2011, the Group allotted and issued a total of 235,000,000 ordinary shares at par value of US$0.00001 per share to the Vendor as consideration for the Acquisition.

As at the date when the interim financial report is authorized, the Group has not completed its fair value measurement related to the Acquisition. Therefore, fair value of consideration, identifiable assets and liabilities on the acquisition date is not available and the initial accounting of the Acquisition is incomplete.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The U.S. and European debt crises and the economic downturn further dampened the global market demand and obstructed the economic recovery of developed countries in the second and third quarters of 2011, resulting in a decline in consumer spending. On the other hand, the economic development of China remained strong. According to the Ministry of Industry and Information Technology, China's textile industry maintained its growth momentum in the first three quarters of the year when compared to the same period in 2010.

During the reporting period, although the strong domestic demand enabled China's apparel industry to maintain its growth, rising raw material price, continuous appreciation of Renminbi and surging production costs resulted in a rapid increase in the costs of the apparel industry in China and imposed pressure on the gross profit margin of the industry in general. However, leading brands with stronger brand image, product quality and operation efficiency, were able to transfer part of the increased costs to customers, thus laying a good foundation for healthy growth of the industry during the year.

Business Review

Down apparel business maintaining leading market position

The Group's core down apparel business maintained its leading market position and laid a strong foundation for the long-term comprehensive development.

According to the statistics of China Industrial Information Issuing Center published in March 2011, the sales of the down apparel under *Bosideng* brand ranked first in the down apparel market in China for 16 consecutive years from 1995 to 2010; the sales of the down apparel under *Snow Flying* brand ranked second for 11 consecutive years since 2000; the sales of the down apparel under *Kangbo* and *Bengen* brands ranked seventh and eighth, respectively in 2010. The aggregate sales of the down apparel under *Bosideng*, *Snow Flying*, *Bengen* and *Kangbo* brands accounted for 36.7% of the total sales of down apparel in China in 2010.

During the period under review, the Group's revenue from branded down apparel was subject to seasonal fluctuations. In general, highest sales are recorded during the peak season from October to February of the following year. Lowest sales are mainly recorded during the low season from March to May before the Group enters the off-peak sales season from June to September when promotional discounts are offered to clean out stock brought forward from the previous financial year, which has been the practice for the past few years. The Group's results of the down apparel business for the reporting period were in line with the expectations of the Directors and its senior management.

Moreover, the Group prepaid some of its expenses for the purchase of raw materials with its abundant cash flow generated from the down apparel business in January 2011. As such, the Group locks up the price of down and part of the fabrics needed in this financial year at a favorable price and enjoy extra discounts for effective cost control.

Non-down apparel business gaining growth momentum

In order to enhance the diversity of its apparel products, reduce operational risks, explore new sources of profit and enhance profitability of the Company, the Group has proactively implemented a strategy to develop non-seasonal apparel products to expand its brand and product portfolio.

Bosideng MAN:

Acquisition of *Bosideng MAN* was the first step of the Group's transformation from offering seasonal products to non-seasonal apparel products. Leveraging on the *Bosideng* brand and the extensive network of the Group, *Bosideng MAN* has been repositioned as a menswear brand demonstrating "Quality of Life" since its acquisition. It has experienced comprehensive improvements in various aspects including brand positioning, product quality, image and sales channels. Products of *Bosideng MAN* are welcomed by consumers at large and have achieved outstanding results. While boosting the rapid growth of the non-seasonal apparel products, the Group continued to focus on the healthy development of its stores and distribution networks. During the period under review, as its contracts with distributors expired, the Group strategically consolidated its sales network and closed certain stores with unsatisfactory sales or unfavorable locations in order to maintain its sound long-term development. During the period, the Group closed 198 stores in total and opened 147 new stores to further optimize the sales network of *Bosideng MAN*. As at September 30, 2011, *Bosideng MAN* had 928 stores in China (March 31, 2011: 979 stores). As the Group focused in closing stores in the first half of the year, the business growth of *Bosideng MAN* in the first half of the year was slower compared to last year. However, the overall development met the expectation of the management.

Bosideng MAN is expected to have 1,000 retail outlets in the financial year of 2012, and it will continue to upgrade its brand image, product quality and services in order to become a well-known menswear brand in China.

ROCAWEAR:

Another attempt of the Group to develop its non-seasonal apparel business and become an integrated apparel brand operator was reflected in the operation of the *ROCAWEAR* business in the Greater China Region (including China, Hong Kong, Macau Special Administrative Region and Taiwan). Since its establishment, the joint venture of *ROCAWEAR* has been actively preparing for the operation of the *ROCAWEAR* brand. As at the end of the reporting period, the *ROCAWEAR* brand has established a total of 19 consignment counters (March 31, 2011: 7 consignment counters) in Beijing, Shanghai, Hangzhou, Tianjin and Chongqing.

BOSIDENG RICCI:

BOSIDENG RICCI is a women's apparel brand directly invested and established by the Group. Products produced and sold under this brand are mid to high end ladies wear of three different series namely "Trendy", "Elegant" and "Unique", offering four seasons collections in colors of black, white, grey, beige and brown and emphasizing on the mix and match of different styles. The major consumer group is urban women aged between 25 to 40 with a taste for quality lifestyle. *BOSIDENG RICCI* has 23 specialty stores and consignment counters (March 31, 2011: 4 specialty stores and consignment counters) in prominent shopping malls and business districts in the Yangtze River Delta. The Group intends to expand to more than 80 sales outlets in Eastern China in this financial year and extend the market coverage of the brand to the whole country in three years.

Mogao:

The *Mogao* brand was established in 1999 and targets young consumers aged between 20 to 30. Products under this brand are affordable trendy casual wear and are designed to reflect the happiness, healthiness, natural and sincereness of the youth. In January 2011, the Group invested approximately RMB100 million in Shanghai Xugao Fashion Co., Ltd. ("Xugao"), the operating company of the *Mogao* brand, through capital injection and held 56.04% of the equity interests of Xugao after the capital injection. The market share and brand awareness of the *Mogao* brand were effectively enhanced after such capital injection. Currently, *Mogao* has 443 specialty stores and consignment counters (March 31, 2011: 400 specialty stores and consignment counters) in China. In the next five years, *Mogao* plans to open 150 to 200 new stores a year to reach the target of approximately 1,300 stores across the country by 2015.

D. D. Cat:

In March 2011, the Group invested a total of approximately RMB100 million in Shanghai Lanboxing Kids Clothing Co., Ltd. ("Lanboxing") through various methods such as capital injection and held 51% of its equity interests after the capital injection. Lanboxing is mainly engaged in the design as well as brand management of kids' wear and related products. Its brands include *D. D. Cat* established in 1999, and *Mikyo*, *r100* and *M&Q* established in 2007, which are differentiated into four different styles, namely "Leisure", "Stylish", "Sporty" and "Personality". Currently, there are a total of 1,120 stores (March 31, 2011: 866 stores) of these four brands of kids' wear in China, mainly in the eastern and southeastern China. In the following five years, the Group plans to open 150 to 200 stores per year to reach the target of approximately 2,000 stores across the country by 2015.

VETALLO:

VETALLO is an international luxury business menswear brand registered in Italy. The Group invested in and managed the brand in the second half of 2010 to provide various styles of business menswear of formal suits, business casual wear and elegant casual wear using quality fabrics from premier suppliers all over the world. Products under the *VETALLO* brand are a perfect blend of western and oriental styles. The design and quality of the products are comparable to those of top international luxury menswear brands. In addition to imported products and accessories, products specially designed with comfortable and simple styles for Asian consumers are also provided under the brand. *VETALLO* is the fashion icon for elegant outfits. The Group maintained a prudent and disciplined management and operation style of the international brand and established a research and development team with professional designers. The marketing team established a unique sales and marketing network comprising self-operated outlets and consignment stores. During the reporting period, *VETALLO* has established a total of 3 specialty stores (March 31, 2011: nil) in prominent shopping malls in Shenyang, Dalian and Handan.

Optimizing retail and distribution network to strengthen brand image

During the reporting period, the Group has restructured its retail network of down apparel and menswear businesses significantly. While eliminating or replacing substandard distributors and retail shops with unsatisfactory performance, the Group was committed to formulating reasonable overall plans with variations for different outlets, so as to promote constructive competition among different sales regions and improve operating results. The Group made adjustments to some of its down apparel stores, increased the number of self-operated stores and increased investment in brand building in response to the market condition. The Group also set higher standards in shop decoration and product display. The fit-out, layout, lighting effects, furniture, services, decoration and ambience are standardized and in line with fashionable trends. In addition, the business of *Bosideng MAN* puts emphasis on market expansion. It has started to enter first-tier cities by leveraging on the experience of its development in second- and third-tier cities. The proportion of self-operated stores and franchised stores has increased while the proportion of regional distribution outlets has decreased.

Retail network composition by outlet type

Store types	As at September 30, 2011			As at March 31, 2011			Change		
	Down apparel	**Non-down apparel**	**Total**	Down apparel	Non-down apparel	Total	Down apparel	Non-down apparel	Total
Specialty stores									
– operated by the Group	**55**	**68**	**123**	51	47	98	4	21	25
– operated according to franchise agreement	**—**	**794**	**794**	—	477	477	—	317	317
– operated by third party distributor	**5,011**	**875**	**5,886**	5,066	619	5,685	-55	256	201
Subtotal	**5,066**	**1,737**	**6,803**	5,117	1,143	6,260	-51	594	543
Retail outlets									
– operated by the Group	**976**	**238**	**1,214**	1,062	59	1,121	-86	179	93
– operated according to franchise agreement	**—**	**242**	**242**	—	300	300	—	-58	-58
– operated by third party distributor	**2,392**	**319**	**2,711**	1,400	354	1,754	992	-35	957
Subtotal	**3,368**	**799**	**4,167**	2,462	713	3,175	906	86	992
Total	**8,434**	**2,536**	**10,970**	7,579	1,856	9,435	855	680	1,535

Retail network composition by geographical location

Store location	As at September 30, 2011			As at March 31, 2011			Change		
	Down apparel	**Non-down apparel**	**Total**	Down apparel	Non-down apparel	Total	Down apparel	Non-down apparel	Total
Northern China	**4,508**	**1,326**	**5,834**	4,052	898	4,950	456	428	884
Eastern China	**1,936**	**565**	**2,501**	1,817	423	2,240	119	142	261
Central China	**1,990**	**645**	**2,635**	1,710	535	2,245	280	110	390
Total	**8,434**	**2,536**	**10,970**	7,579	1,856	9,435	855	680	1,535

Description of geographical classification:

Northern China area: *Three Northeastern Provinces, Shanxi, Shaanxi, Xinjiang, Sichuan, Chongqing, Inner Mongolia, Gansu, Ningxia, Tibet, Yunnan, Guizhou, Shandong, Beijing, Tianjin, Hebei, Qinghai*

Eastern China area: *Jiangsu, Zhejiang, Shanghai, Anhui, Fujian*

Central China area: *Henan, Hunan, Hubei, Jiangxi, Guangdong, Guangxi, Hainan*

Grand product fashion shows taking the industry by surprise

The 2011/2012 fashion show of Bosideng was staged in Jiuzhaigou, Sichuan on August 21, 2011, displaying 90 collections of trendy Bosideng down apparel of its three major lines. By making use of the advanced naked eye 3D technology, the show perfectly combined the new products catering for fashion demands of consumers and the scenic beauty of Jiuzhaigou, demonstrating the innovative design ideas of Bosideng to distributors and displaying several hundred types of down apparel to be launched.

On September 6, 2011, the *Bosideng MAN* 2012 Spring/Summer trade fair was held in Changshu International Expo Center. Its designers presented the "Mediterranean Fashion" as the theme of its 2012 Spring/Summer products and advocated the key characteristics, strength and courage, through product design and retail sales. The new products are divided into three series of "Elegant Business Wear", "Minimalist Office Wear" and "Chic Business Wear", satisfying various stylish needs of men in office, private gatherings and social occasions. In-depth research has been carried out for the design and selection of the theme series, product colors and fabrics of the new products. Plans for the strategic layout and reasonable allocation have been formulated for different geographical markets and pricing arrangements.

Implementing marketing strategies effectively through various promotion methods

Targeting different styles and market positions of all brands, the Group has adopted various flexible methods in promotion. Remarkable slogans in commercials and promotional campaigns including "A Beautiful World Because of You" (世界因你而美麗), "I Can Fly Higher" (我要飛得更高), "Warm and Breathable, Thin and Cool" (暖的透氣薄的有型), "Good Quality Is Worth Waiting For" (品質好才是真實惠) and "Quality of Life, Great Minds Think Alike" (品味生活，英雄所見) reflected the characteristics of *Bosideng*, *Snow Flying*, *Bengen*, *Kangbo* and *Bosideng MAN*, respectively.

During the reporting period, apart from launching TV commercials, the Group also integrated resources from various aspects, through a combination of strategies including establishing high-end flagship stores in major commercial centers, organizing product launch shows, sponsoring sports events, appointing celebrities as spokespersons, launching outdoor advertisements and websites, shop promotion, product display and sponsoring popular videos/concerts and establishing VIP programme, so as to deliver its brand concept and the uniqueness of its products to consumers and enhance the recognition of the Group's products among consumers in the target markets.

Striving for innovative research and development in pursuit of perfection and excellence

The fundamentals of the apparel industry are fashion and creativity. Innovation and imagination are the primary forces of transformation and upgrading of the apparel industry in the future. In this regard, the Group has committed to and focused on innovative research and development and has been continuously developing technological and product design systems. From styles, fabrics to concepts, the Group has been constantly innovating and upgrading its products. To further strengthen its design capability, the Group's product design team has also conducted market surveys from time to time, participated in trade fairs and carefully analyzed sales performance to gain an insight into customer needs, thereby keeping abreast of the latest trends. In addition, the Group has invited famous designers from different countries to provide on-site guidance. Excellent designers have also been sent to France and Italy to study and participate in international professional exhibitions to collect information on latest trends and improve their design skills.

As an enterprise unveiling to the world the trends in winter cold-resistant clothing on behalf of China for 15 consecutive years, the Group's down apparel product designs have provided an absolute trend direction for cold-resistant clothing in China every year. The introduction of design concepts incorporating stylish, casual and sporty elements in the down apparel industry to deliver a new "light, thin, elegant" concept for down apparel, the launch of environmentally friendly, ecological and anti-bacterial down apparel integrating environmental protection and trendiness, and the launch of anti-bacterial down apparel with waterproof, stain-proof, anti-bacterial, fungus-resistant, odorless and self-cleaning characteristics through the application of internationally advanced "Nano technology" in down apparel are testaments to the repeated innovations of the Group, which have led to significant progress and have also driven the upgrading of the entire down apparel industry in China.

The Group introduced the new Autumn down apparel (秋羽絨) line in 2011, representing a breakthrough in the traditional concept of down apparel. Weighing only 260 grams, the high-end down apparel has a down content of up to 90% with the use of ultra-thin fabric and excellent cutting. The launch of the new Autumn line has enriched the Group's product portfolio, extended the sales period of down apparel and satisfied market demands for thin and light down products. The new Autumn line was officially launched in September and was well received by the market.

Bosideng MAN possesses an excellent team of designers, and also cooperates with internationally-renowned design companies. It has launched various product lines such as casual wear, business casual wear and formal suits to provide different clothing solutions to modern gentlemen and lead to a new concept of men's clothing. *Bosideng MAN* also provides high-quality tailor-made services to customers who are not satisfied with the apparel available in the market and have their own fashion insights. By providing a design platform to show their unique style, this brand allows customers to choose their own patterns, fabrics, lining and buttons and add their personal designs for the professional designers of the Company to create unique tailor-made apparel with quality design, cutting and finishing.

Starting the e-commerce platform by introducing ERP information system

During the reporting period, the Group proactively improved its traditional business by leveraging on internet information technology and e-commerce platform. ERP information engineering was introduced in the procedures such as order management, BOM, purchase management, supplier management, raw material examination, production and manufacturing, outsourcing and processing, quality control on apparel, storage and logistics and marketing services. As such, a responsive and effective integrated supply chain was established for reducing inventory and increasing logistics turnover rate. During the reporting period, the Group further adjusted and improved the basic hardware of its information system. It also optimized its software system structure by introducing a mature software development platform so as to improve the stability of the information system and data security. The two versions of ERP system for its two major segments of down apparel products and non-down apparel products were also refined. By strengthening the application of ERP system to mobile phones, ERP data and abnormal conditions of the system can be supervised and notified through mobile phone text messages, allowing relevant personnel to obtain important operating information in time and make prompt response to market changes. The terminal ERP information system of the Group has a coverage of over 90%.

During the reporting period, the Group established an official flagship store of various brands on mall.taobao.com and cooperated with renowned domestic and overseas e-commerce websites to set up online distribution network so as to increase market share on the internet. Based on a survey on online consumption demand, a department designated for product differentiation was established and 40 to 50 designs will be launched exclusively on the internet to cater for the demand for online consumption and distinguish online product lines from offline product lines. It will mark the transformation of the mode of competition from upgrading standardized products via traditional channels to brand product differentiation. The Group also continued to optimize the online channel management system and official e-commerce platform. The Group gradually introduced the brands under Bosideng to the e-commerce platform according to the characteristics of the internet market. It provided online sales services in respect of these brands by taking advantage of its member base.

Building the first landmark flagship store in Europe to achieve brand internationalization

In June 2011, Bosideng invested GBP20,050,000 to acquire a property at No.28, South Molton Street which neighbors Oxford Street, the shopping center of London West End in U.K. for the purpose of setting up the Bosideng down apparel and menswear flagship store and the Group's European headquarter. It is the Group's first overseas down apparel and menswear flagship store and an important milestone of the Group's expansion into the UK market, which will further improve the brand awareness and reputation of the Group.

The property is located at the core section of London West End, the most prosperous commercial district in London and the largest commercial district in Europe, neighboring Oxford Street, which is the most famous shopping street in Britain. The property is only 20 meters away from the Bond Street subway exit, which has a traffic flow of 24 million people every year, and it is also opposite to the Bond Street exit of Cross Rail Line of London subway which is under construction.

The Group will rebuild the newly purchased property into a 6-storey landmark and a basement with a total area of over 1,000 square meters. Upon completion, the street and underground shops will be used as the Bosideng down apparel and *Bosideng Man* flagship store in Europe and the shop is expected to open in July 2012. The Company plans to capitalize on the premier location and high volume of traffic to enhance the brand image promotion through outdoor advertising. Other floors of the property will be used as the Group's European headquarter.

Bosideng's rising international reputation and record-breaking brand value record

On April 19, 2011, the 19th Press Conference of Product Sales Statistics of the Chinese Market in 2010 cum the 2011 Awards Presentation Ceremony for the New Consumption Era of China's Economic Development (二零一零年度(第十九屆)中國市場商品銷售統計結果新聞發佈會暨2011年消費引領中國經濟發展新時代頒獎盛典) were officially held at China National Convention Center in Beijing. According to the statistics of 2010 released by China General Chamber of Commerce and China National Commercial Information Center, *Bosideng MAN* was awarded the National Sales Excellence Award 2010 of the Apparel Industry, which was a recognition of the performance of *Bosideng MAN* and a demonstration of the recognition of *Bosideng MAN* by the industry and consumers, which is the biggest affirmation and encouragement to *Bosideng MAN*.

On July 15, 2011, the Bosideng Group won the "China Charity Award" (中華慈善獎) at the "6th China Charity Award Presentation Ceremony" held in Beijing. The award was given by the Ministry of Civil Affairs of China and is the top government charity award in China. This annual award was first launched in 2005 to commend individuals, organizations or charity programs for their generous charity contribution. In pursuit of the corporate culture of "Cultivate Customer Loyalty by Charitable Donation", Bosideng has been very enthusiastic in charitable activities and contributed a great deal of efforts and financial aids at times of major disasters, including SARS, the snow disasters in Southern China, the May 12 Wenchuan earthquake in Sichuan, the Yushu earthquake in Qinghai and Typhoon Morakot in Taiwan. In 2010, the charitable donations by Bosideng amounted to RMB37,316,500. The total charitable donations by Bosideng over the years exceeded RMB500 million.

On September 9, 2011, the 17th ranking list for "China's Most Valuable Brands" (中國最有價值排行榜) in 2011 was announced. *Bosideng* was ranked 13th with a brand value of RMB20.66 billion and remained in the first place in the textile and clothing segment. The *Snow Flying* brand of the Group was ranked 48th with a brand value of RMB5.67 billion. China's Most Valuable Brands was introduced in 1994 jointly by R&F Global Ranking and Beijing Famous-Brand Evaluation Co. Ltd. for the appraisal of brand values and is the first brand value ranking list in the Chinese consumer market with the longest history. The ranking is based on a comprehensive study in respect of the financial performance, market share, research and development capabilities, brand promotion efforts, and brand potential of various enterprises to recognize enterprises with the highest brand values.

Financial Review

Revenue

For the six months ended September 30, 2011, the Group recorded a revenue of approximately RMB2,739.1 million (2010: approximately RMB1,858.3 million), representing an increase of 47.4% as compared with the corresponding period last year. The increase was mainly because (a) the Group launched the light and slim autumn down apparel, bringing forward the sales period of down apparel to early September; (b) the Group was able to pass the increase in costs to customers, while raising product price and controlling inventory through flexible sales strategies; (c) the Group conducted OEM business during the off-peak season by effective resources allocation; and (d) the Group implemented the strategy of development of non-seasonal apparel to increase the contribution from non-down apparel business. Revenue from the non-down apparel business accounted for approximately 12.2% of the total revenue, representing an increase of 5.2 percentage points from 7.0% in the corresponding period last year.

Sales analysis by products

	For the six months ended September 30				
	2011		2010		
		% of		% of	Changes
	(RMB million)	**total revenue**	(RMB million)	total revenue	in %
Branded down apparel					
• Self-owned outlets	**216.0**	**7.9%**	181.1	9.8%	19.3%
• Wholesale	**1,557.2**	**56.8%**	1,024.5	55.1%	52.0%
• Others*	**2.2**	**0.1%**	3.6	0.2%	(38.9%)
Total down apparel revenue	**1,775.4**	**64.8%**	1,209.2	65.1%	46.8%
OEM management	**631.1**	**23.0%**	518.3	27.9%	21.8%
Non-down apparel					
Menswear					
• Self-owned outlets	**29.2**	**1.1%**	27.2	1.4%	7.4%
• Wholesale	**140.2**	**5.1%**	103.6	5.6%	35.3%
Total menswear revenue	**169.4**	**6.2%**	130.8	7.0%	29.5%
Others#	**163.2**	**6.0%**	—	—	N/A
Total non-down apparel revenue	**332.6**	**12.2%**	130.8	7.0%	154.3%
Total revenue	**2,739.1**	**100.0%**	1,858.3	100.0%	47.4%

* *represents sales primarily of raw materials related to down apparel products and non-seasonal apparel products.*

\# *represents sales of non-down apparel products other than products of "Bosideng MAN"*

A majority of the branded down apparel of the Group were sold by wholesale, which accounted for 87.7% of the Group's total down apparel revenue, as compared to 84.7% in the same period last year.

Revenue analysis of down apparel sales by brand

	For the six months ended September 30				
	2011		2010		
Brands	**(RMB million)**	**% of branded down apparel sales**	(RMB million)	% of branded down apparel sales	Changes in %
Bosideng	**977.3**	**54.1%**	635.0	51.8%	53.9%
Snow Flying	**326.1**	**18.1%**	211.6	17.3%	54.1%
Bengen	**290.7**	**16.1%**	217.4	17.7%	33.7%
Kangbo	**182.7**	**10.1%**	140.0	11.4%	30.5%
Other brands	**26.8**	**1.5%**	18.9	1.5%	41.8%
Others	**2.2**	**0.1%**	3.6	0.3%	(38.9%)
Sub-total	**1,805.8**	**100.0%**	1,226.5	100.0%	47.2%
Sales rebates	**(30.4)**		(17.3)		75.7%
Total down apparel revenue	**1,775.4**		1,209.2		46.8%

The Group has integrated the style positioning of its brands to ensure that its product styles are complementary to each other while retaining their own uniqueness in order to satisfy different demands. While the Group's core brand, the *Bosideng* brand, continues to be marketed as a mid to high end brand, targeting customers with better spending power and who seek trendy and fashionable designs, the *Snow Flying* brand appeals to younger customers with more energetic lifestyles. The *Kangbo* and *Bengen* branded apparel offer traditional down apparel lines for men and colourful, youthful down apparel lines for women, respectively, and is targeted at the mass market. As a result of such brand positioning strategy, the *Bosideng* branded apparel remained the largest contributor and contributed 54.1% or approximately RMB977.3 million of the total branded down apparel sales. The *Snow Flying* branded apparel contributed 18.1% or approximately RMB326.1 million of the total branded down apparel sales. *Kangbo* and *Bengen* recorded revenues of RMB182.7 million and RMB290.7 million, which represented 10.1% and 16.1% of the total branded down apparel sales, respectively.

Cost of sales and gross profit margin

During the period under review, cost of sales decreased as a percentage of revenue as compared to the corresponding period of the previous year. It amounted to approximately RMB1,659.8 million, or 60.6% of the Group's revenue, as compared to approximately RMB1,154.0 million, or 62.1% of the Group's revenue, in the same period last year. This is mainly because the Group effectively passed the costs to customers and used its abundant cash flows to prepay suppliers in order to procure raw materials at favourable prices at the beginning of the year. As such, the impact of the increase in costs was well under control. The Group developed an internet sales model with lower costs so as to increase market share on the internet.

The gross profit margin of branded down apparel, OEM management and non-down apparel business for the period under review was 46.4%, 18.6% and 41.6%, respectively, as compared to 46.0%, 16.6% and 48.0% in the same period last year, respectively.

Distribution expenses

The Group's distribution expenses, mainly comprising advertising, promotion, concessionaire fees and salary and welfare, amounted to approximately RMB644.5 million, representing an increase of 42.7%, compared with approximately RMB451.7 million in the same period last year. The distribution expenses and the increase in sales were in direct proportion. During the period, the relevant expenses accounted for 23.5% of total revenue, representing a drop of 0.8 percentage point as compared with 24.3% in the same period last year. The increase of actual expenditure was mainly due to the increase in the number of stores and headcount for the development of the non-down apparel business and the expansion of the specialty stores operated by the Group.

Administrative expenses

The administrative expenses of the Group, which were mainly comprised of bad and doubtful debts provision, salary and welfare, travel, consulting fee and office expenses, amounted to approximately RMB179.0 million, representing an increase of 9.9% compared with approximately RMB162.9 million in the same period last year. During the period, administrative expenses accounted for 6.5% of the Group's revenue, representing a decrease of 2.3 percentage points as compared with 8.8% in the same period last year. The decrease was mainly attributable to the Group's effective control of bad and doubtful debts at a low level.

Operating profit

For the six months ended September 30, 2011, the Group's operating profit increased by 228.4% to RMB275.9 million, which was mainly attributable to the effective control of selling prices, production costs and administrative expenses. Operating profit margin was 10.1%, representing an increase of 5.6 percentage points as compared with 4.5% in the same period last year.

Finance income

During the period under review, the Group's finance income recognized in profit or loss slightly dropped by 2.3% to approximately RMB99.9 million from approximately RMB102.2 million in the same period last year.

Finance costs and taxation

The Group's finance costs for the period under review increased by 147.1% to RMB21.5 million mainly due to the increase in bank charges for issuance of letters of credit and interest expenses for the loans borrowed in Hong Kong with RMB deposits in China for acquisitions and property purchases in the U.K. during the period.

For the six months ended September 30, 2011, income tax expenses decreased from RMB67.0 million to RMB27.8 million. This was mainly because no further charge of deferred tax was recorded for the undistributed retained earnings of the PRC subsidiaries.

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 cash generated from operating activities.

For the six months ended September 30, 2011, the Group's net cash used in operating activities amounted to approximately RMB738.4 million, compared to a net cash inflow of approximately RMB49.5 million as at March 31, 2011. Cash and cash equivalents as at September 30, 2011 was in the amount of approximately RMB1,756.8 million, compared to approximately RMB1,417.6 million as at March 31, 2011. The decrease in cash and cash equivalents was due to the cash used in the payment of final and special dividend for the financial year ended March 31, 2011.

The Group had available-for-sales financial assets, which comprised principal guaranteed short-term investments with banks in the PRC. Available-for-sale financial assets have expected but not guaranteed returns ranging from 1.6% to 6.8% per annum (2010: 2.4% to 4.7%).

As at September 30, 2011, the bank borrowings of the Group amounted to approximately RMB1,455.1 million (March 31, 2011: approximately RMB586.9 million). The gearing ratio (total debt/total equity) of the Group was 23.2%.

Capital commitments

As at September 30, 2011, the Group had capital commitments amounting to approximately RMB291.6 million (March 31, 2011: approximately RMB231.9 million).

Operating lease commitment

As at September 30, 2011, the Group had irrevocable operating lease commitments amounting to approximately RMB486.6 million (March 31, 2011: approximately RMB429.4 million).

Contingent liabilities

As at September 30, 2011, the Group had no material contingent liabilities.

Pledge of assets

As at September 30, 2011, bank deposits amounting to approximately RMB713.1 million had been pledged to secure the Group's bank loans and banking facilities in relation to bills payable and letters of credit (March 31, 2011: approximately RMB760.4 million).

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's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated in RMB. Some of the Group's cash and bank deposits, including proceeds from the Group's initial public offering, were denominated in Hong Kong Dollars or US Dollars. The Company and some of its overseas subsidiaries selected US Dollars as their functional currency. Any significant exchange rate fluctuations of Hong Kong Dollars or US Dollars against each entity's respective functional currency may have a financial impact to the Group.

As at September 30, 2011, the Directors of the Company considered the Group's foreign exchange risk to be insignificant.

During the period under review, the Group did not use any financial instruments for hedging purposes.

Human Resources

As at September 30, 2011, the Group had approximately 3,809 full-time employees (March 31, 2011: 2,690 full-time employees). Staff costs for the six months ended September 30, 2011 (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB193.3 million (2010: approximately RMB142.3 million). This increase was mainly due to the increase of headcount to develop non-down apparel business including *Bosideng MAN*, *BOSIDENG RICCI* and *ROCAWEAR* so as to support the expansion of the specialty stores operated by the Group. The Group's salary and bonus policy is primarily based on duties, performance and length of service of each employee with reference to the prevailing market conditions.

To provide a comfortable and harmonious living environment to employees, the Group renovated the staff dormitory, upgraded various facilities and provided with hotel-style management services. The renovation project was duly completed in June 2010 and all tests and examination were passed. Non-Local university graduates, professional technicians and management staff who do not possess a living place in Changshu are entitled to apply for accommodation once they are employed by the Company. Currently, all employees live in the dormitory.

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

As at September 30, 2011, no share option was granted by the Group under the Share Option Scheme.

Business Outlook

Going forward, the Group holds a prudent and positive view on the outlook of the economy and business development. The local consumption pattern and spending power will continue to improve in the next one to two decades. Brand value upgrade will be the trend of China's apparel industry after the expansion of market scale. The Group will leverage on the competitive edges of the *Bosideng* brand to integrate the style positioning, design, research and development as well as sales channels of its brands; to ensure the product styles are complementary with each other while retaining their own uniqueness satisfying different demands. In the next three to five years, the Group will continue to increase the proportion of the non-down apparel business in the overall sales so as to transform Bosideng into a diversified and integrated apparel brand operator.

The Group is poised to achieve these goals through business strategies formulated under the following key aspects:

Speeding up the development of non-down apparel businesses

While maintaining its market shares and satisfactory results in the down apparel industry, the Group will continue to implement and speed up the development of non-down apparel businesses and increase the proportion of non-down apparel businesses in the overall sales.

As the top priority in the development of non-down apparel businesses, the Group will focus on the development of *Bosideng MAN* in order to achieve stable and rapid growth and high brand recognition so that it will become a leading menswear brand in the PRC.

ROCAWEAR will continue with its preparatory work, including selection of store locations and establishment of sales network. According to the current expansion plan in provincial cities including Beijing, Shanghai, Tianjin and Chongqing, *ROCAWEAR* targets to open more than 300 standalone stores and shop-in-shop in the Great China Region by 2013.

As a trendy ladies' wear brand directly invested by the Group, *BOSIDENG RICCI* is the key project of the Group under the strategy of diversification and new brand development. Bosideng has already expanded into the menswear and casual wear segments with outstanding results. The Group plans to develop sales channels mainly in eastern China in two years' time and expects to develop a nationwide coverage within 3 years.

The Group has increased capital investment in Xugao and Lanboxing at the beginning of the year and plans to leverage on their existing management teams and resources combined with the strong brand awareness of *Bosideng* as the leader in the domestic apparel industry. The Group targets to develop Xugao's *Mogao* brand into a leading casual wear brands in China by opening 150 to 200 new stores each year within the next 5 years and achieving the target of approximately 1,300 stores in China by 2015.

During the reporting period, *VETALLO*, the international luxury menswear brand of the Group, has opened 3 specialty stores in northeastern China and continued to select store locations in order to expand the coverage of *VETALLO* in China.

On November 4, 2011, Jessie International Holdings Limited, a wholly owned subsidiary of the Group, completed the acquisition of Talent Shine Limited and Sunny Bright Global Investments Limited, which owned various mid to high end ladies' wear brands including *JESSIE*, at a consideration of RMB892.5 million (subject to adjustment) pursuant to an agreement dated October 28, 2011. Established in 1999, *JESSIE* is a leading local trendy ladies' wear brand with business and casual styles targeting office ladies aged between 28 and 45. For the year ended December 31, 2010, the net profit after tax of Talent Shine Limited reached RMB54.40 million. Upon completion of the acquisition, the Group continues to sell ladies' wear under the *JESSIE* brand by way of self-operated and franchised businesses in China. The Group expects to open approximately 200 new stores in the next three years, so that the total number of stores will reach over 400 stores, and it will also expand into the international market when opportunity arises.

The Group will also expand its brand and product portfolio by actively identifying non-down apparel brands with growth potential and good reputation for acquisitions, mergers or cooperation. It will expedite the development of non-down apparel business and offer high-quality non-seasonal products to different consumer groups in order to transform *Bosideng* into an internationally well-known integrated apparel brand operator.

Promoting brand portfolio to enhance brand value

In order to satisfy demands from different consumers and enhance the overall value of its brands, the Group will integrate the style positioning, design, research and development as well as sales channels of its brands in a comprehensive way to ensure the product styles are complementary to each other yet retaining their own uniqueness.

Based on the earlier planning of its brand portfolio development strategy, the Group repositioned *Bengen* under independent management. The *Bengen* brand has developed rapidly in these two years and recorded a significant growth in operating results. Therefore, the Group will continue to formulate plans on the general operational management of each brand under the Group and promote the development strategy of its brand portfolio in the next few years. The Group will further upgrade the brand positioning of *Bosideng*. In addition to strengthening its position as a top high-end brand in the PRC down apparel market, the Group will extend the influence of the *Bosideng* brand to other non-down apparel products and make full efforts to drive the respective development of dominant brands such as *Snow Flying*, *Kangbo*, *Bengen*, *ROCAWEAR, BOSIDENG RICCI* and other new brands the Group acquired through mergers and acquisitions, distributorship, joint ventures and sharing of retail channels.

Increasing market share by strengthening marketing efforts

The Group will further step up its marketing efforts based on the demand of customers in order to expand the market, increase its market share and maximize profitability of the Group's business. Depending on the different styles and market positioning of various brand products, the Group will selectively adopt various flexible strategies to promote each of the brands under the Group. Apart from the original promotion channels such as commercials, outdoor advertisements, product launch shows, appointing as spokespersons, sponsoring sports events, websites, shop promotion and product display, the Group will place more emphasis on its interactions with consumers. All retail outlets will organize different activities such as trial experience, exhibitions and offering privileges as well as providing value-added services, including launching VIP programme and providing tailor-made services, so as to demonstrate the positioning and product images of each brand under the Group in a comprehensive way, enhance the vitality and influence of the brand and increase the market shares of its products.

The Group will increase its efforts in expanding the sales channels and building its image. In addition to plotting distribution networks appropriately, including the proportion and geographical location of different types of stores, the Group will also engage famous store designers to design the stores with a more stylish image and expand the number of large flagship stores in major cities in due course. The flagship stores will provide a larger and more comfortable shopping environment to customers. The Group will open large gallery-styled flagship stores to display the full range of products under the *Bosideng* brands, and utilize its new image visual system in retail outlets to provide a comprehensive shopping experience to consumers. The Group will continue to integrate and optimize sales channels of the down apparel products. For non-down apparel products, the Group will focus on market expansion. The number of retail outlets of *Bosideng MAN* in China is expected to increase to approximately 1,000 in 2012. For the business of the *ROCAWEAR* brand, it is planned to open more than 300 *ROCAWEAR* freestanding stores or shop-in-shop in the Greater China Region by 2013. 150 to 200 new shops of *Mogao* will be opened every year. *BOSIDENG RICCI* will focus on establishing the sales network in eastern China in the next two years, and expects to develop a nationwide network in three years.

The Group will continue to develop and operate the e-commerce platform to echo the current online shopping trend, and to strive for higher sales results for the Company.

Optimizing information system to search for an optimized inventory turnover rate

The Group attaches great importance to inventory control and management, and its inventory level of finished products is lower than that of our industry peers. The Group will further reduce the inventory level and optimize the inventory turnover rate through the improvements in product design, sales channels and logistics. As part of the inventory management of Bosideng, products are centrally distributed by the regional logistics centers, and no separate warehouse is provided for supermarkets, shopping malls and distributors. Frontline staff members are required to closely monitor the inventory level and keep abreast of the latest information of the best-selling styles, colors and sizes of the particular season and report on the sales performance in time, which will be used as indicators for future orders, in order to lower the inventory risk. However, this also imposes a stringent requirement on the ERP system of the Group. A convenient and effective information system providing timely, accurate and complete information is the key to maintaining efficiency of operations, including replenishment, distribution and replacement of inventory and reducing the inventory risk. Therefore, the Group will further optimize its information system and expand its coverage.

Enhancing design, research and development capabilities of green fashion

Creative and innovative designs contribute to the establishment of an excellent brand, and only a brand with trend setting ability can lead the transformation and upgrading of the apparel industry. The Group will continue to expand and strengthen its research, design and development team. The Group has also planned to cooperate with locally and internationally renowned research institutions to develop and apply new fabrics in order to enhance the product competitiveness and value of the brand. The Group will create and offer space and platform to its designers to develop their artistic talents and inspire them in a stimulating environment. Their design capabilities will also be enhanced through various exchange, learning and cooperation opportunities with locally and internationally renowned design institutions. As such, the leading position of the Group in the PRC cold-resistant clothing market will be consolidated. The Group will also expand its non-down apparel product portfolio and business and further consolidate its leadership in non-seasonal market by leveraging on its excellent and innovative design capabilities.

As low-carbon and environmental protection practice has become one of the business values, the Group will further strengthen the research and development of environmentally friendly products with low-carbon production. It will strive to reduce material consumption and carbon emission substantially by using advanced technology, so as to contribute to environmental protection and low-carbon living.

Interim Dividend

To offer a higher reward to the shareholders, the Board has recommended the payment of an interim dividend of RMB3.8 cents per ordinary share for the six months ended September 30, 2011. The proposed interim dividend is payable on January 10, 2012 to shareholders whose names appear on the register of members of the Company on December 30, 2011 and in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars (RMB0.8157 to HK$1.00) as quoted by the People's Bank of China on November 29, 2011.

Closure of Register of Members

The register of members of the Company will be closed from December 28, 2011 to December 30, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend payable on January 10, 2012, all duly completed transfer forms must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 23, 2011.

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

During the six months ended September 30, 2011, the Company has not purchased, sold or redeemed any of its listed shares except that of the trustee of the Share Award Scheme, pursuant to the terms of the rules and deed of settlement of the Share Award Scheme, purchased on the Stock Exchange a total of 8,096,000 shares of the Company at a consideration of about HK$12.4 million.

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 Listing Rules for the six months ended September 30, 2011, 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 purposes 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 of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

Publication of Interim Results and Interim Report on the Websites of the Stock Exchange and the Company

This announcement will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://company.bosideng.com). The interim report for the six months ended September 30, 2011 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

On behalf of the Board, 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, November 29, 2011

As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Dr. Kong Shengyuan, Ms. Gao Miaoqin, Ms. Huang Qiaolian and Ms. Wang Yunlei, the non-executive Director is Mr. Shen Jingwu, and the independent non-executive Directors are Mr. Dong Binggen, Mr. Jiang Hengjie, Mr. Wang Yao and Mr. Ngai Wai Fung.