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, 2013

HIGHLIGHTS

- Revenue decreased by 8.8% to approximately RMB2,809.2 million
- Gross profit margin increased by 3.8 percentage points to 49.4%
- Operating profit margin decreased by 1.6 percentage points to 12.2%
- Profit attributable to equity shareholders of the Company increased by 3.1% to approximately RMB326.1 million
- Interim dividend of HKD3.7 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") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended September 30, 2013, together with the unaudited comparative figures for the corresponding period in 2012. 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, 2013 (unaudited)

	Note	Six months ended September 30, 2013 RMB'000	Six months ended September 30, 2012 RMB'000
Revenue	4	**2,809,239**	3,080,018
Cost of sales		**(1,422,126)**	(1,676,815)
Gross profit		**1,387,113**	1,403,203
Other income	5	**36,463**	23,690
Distribution expenses		**(828,243)**	(790,094)
Administrative expenses		**(247,635)**	(210,070)
Other expenses	5	**(4,300)**	(192)
Profit from operations		**343,398**	426,537
Finance income		**110,490**	90,699
Finance costs		**(38,455)**	(57,960)
Net finance income	7	**72,035**	32,739
Share of profits of associates, net of tax		**3,608**	–
Profit before taxation		**419,041**	459,276
Income tax expense	8	**(97,436)**	(142,059)
Profit for the period		**321,605**	317,217
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**9,941**	(3,126)
Net change in fair value of available-for-sale financial assets		**8,009**	13,076
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**(14,031)**	(3,318)
Income tax on items that may be reclassified subsequently to profit or loss		**1,506**	(2,440)
Other comprehensive income for the period, net of tax		**5,425**	4,192
Total comprehensive income for the period		**327,030**	321,409

	Note	**Six months ended September 30, 2013** *RMB'000*	Six months ended September 30, 2012 *RMB'000*
Profit/(loss) attributable to:			
Equity shareholders of the Company		**326,144**	316,398
Non-controlling interests		**(4,539)**	819
Profit for the period		**321,605**	317,217
Total comprehensive income attributable to:			
Equity shareholders of the Company		**331,318**	320,647
Non-controlling interests		**(4,288)**	762
Total comprehensive income for the period		**327,030**	321,409
Earnings per share	*10*		
– basic (RMB cents)		**4.10**	3.97
– diluted (RMB cents)		**4.10**	3.97

CONSOLIDATED BALANCE SHEET

At September 30, 2013 (unaudited)

	Note	**At September 30, 2013** ***RMB'000***	At March 31, 2013 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**1,066,286**	1,012,648
Prepayments for purchase of properties		**19,776**	19,776
Investment properties		**59,027**	30,922
Lease prepayments		**32,741**	33,112
Intangible assets and goodwill		**1,080,589**	1,098,672
Interest in associates		**153,608**	–
Deferred tax assets		**351,436**	345,313
		2,763,463	2,540,443
Current assets			
Inventories	*11*	**2,703,117**	1,970,993
Trade, bills and other receivables	*12*	**2,858,363**	1,603,314
Receivables due from related parties		**29,983**	94,395
Prepayments for materials and service suppliers		**599,026**	319,911
Other financial assets		**200,000**	460,000
Available-for-sale financial assets		**1,191,602**	1,642,784
Pledged bank deposits		**700,857**	1,412,781
Time deposits with maturity over 3 months		**227,200**	233,230
Cash and cash equivalents		**1,350,478**	1,935,356
		9,860,626	9,672,764
Current liabilities			
Current income tax liabilities		**276,456**	267,130
Interest-bearing borrowings		**1,563,419**	1,736,988
Trade and other payables	*13*	**2,283,991**	1,618,632
Payables due to related parties		**36,162**	12,237
		4,160,028	3,634,987
Net current assets		**5,700,598**	6,037,777
Total assets less current liabilities		**8,464,061**	8,578,220

	Note	At September 30, 2013 RMB'000	At March 31, 2013 RMB'000 (audited)
Non-current liabilities			
Interest-bearing borrowings		**905,439**	919,098
Non-current other payables	*14*	**192,222**	179,268
Derivative financial liabilities		**10,473**	10,400
Deferred tax liabilities		**171,322**	183,786
		1,279,456	1,292,552
Net assets		**7,184,605**	7,285,668
Capital and reserves			
Share capital		**622**	622
Reserves		**7,000,990**	7,097,765
Total equity attributable to equity shareholders of the Company		**7,001,612**	7,098,387
Non-controlling interests		**182,993**	187,281
Total equity		**7,184,605**	7,285,668

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 non-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 (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 interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012/13 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013/14 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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 understanding the changes in the financial position and performance of the Group since the 2012/13 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 2012/13 annual financial statements.

The interim financial report for the six-month period ended September 30, 2013 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 28, 2013. 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, 2013 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 2012/13 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 26, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) New or revised standards and interpretations

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of Interests in Other Entities*
- IFRS 13, *Fair Value Measurement*

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

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights or variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at April 1, 2013.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(b) Accounting policies for new transactions

The Group acquired interests in associates in the six months ended September 30, 2013. The related accounting policies are set out as follows:

Interests in associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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 apparel segment carries on the business of sourcing and distributing branded down apparels.
- OEM management - The OEM management segment carries on the business of sourcing and distributing OEM products.
- Non-down apparels - The non-down apparel segment carries on the business of sourcing and distributing non-seasonal apparels, including branded apparels of menswear, ladieswear and casual wear.

(a) **Segment results**

	For the six months ended September 30, 2013			
	Down apparels	**OEM management**	**Non-down apparels**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	1,756,325	653,423	399,491	2,809,239
Inter-segment revenue	5,455	–	8,020	13,475
Reportable segment revenues	1,761,780	653,423	407,511	2,822,714
Reportable segment profit/(loss) from operations	314,910	115,903	(36,747)	394,066
Depreciation	30,699	212	30,139	61,050
Share of profits of associates	–	–	3,608	3,608

	For the six months ended September 30, 2012			
	Down apparels	OEM management	Non-down apparels	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,842,452	749,782	487,784	3,080,018
Inter-segment revenue	–	–	10,506	10,506
Reportable segment revenues	1,842,452	749,782	498,290	3,090,524
Reportable segment profit/(loss) from operations	366,440	125,443	(9,828)	482,055
Depreciation	31,067	1,375	17,072	49,514

(b) **Reconciliations of reportable segment revenues and profit or loss**

	For the six months ended September 30	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenues	**2,822,714**	3,090,524
Elimination of inter-segment revenue	**(13,475)**	(10,506)
Consolidated revenue	**2,809,239**	3,080,018

	For the six months ended September 30	
	2013	2012
	RMB'000	*RMB'000*
Profit before taxation		
Reportable segment profit derived from the Group's external customers	**394,066**	482,055
Amortization expenses	**(18,454)**	(29,047)
Government grants	**31,086**	16,980
Unallocated expenses	**(59,692)**	(43,451)
Finance income	**110,490**	90,699
Finance costs	**(38,455)**	(57,960)
Consolidated profit before taxation	**419,041**	459,276

5. OTHER INCOME/(EXPENSES)

	Note	**Six months ended September 30, 2013**	Six months ended September 30, 2012
		RMB'000	*RMB'000*
Royalty income	*(i)*	**5,377**	6,710
Government grants	*(ii)*	**31,086**	16,980
Other income		**36,463**	23,690
Other expenses - Donations		**(4,300)**	(192)

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

(ii) The Group received unconditional discretionary grants amounting to RMB31,086,000 during the six month period ended September 30, 2013 (2012: RMB16,980,000) 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, 2013	Six months ended September 30, 2012
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses included in cost of sales	**1,480,701**	1,667,296
(Write back)/write down of inventory cost to net realizable value	**(58,575)**	9,519
Depreciation		
– Assets leased out under operating leases	**875**	447
– Other assets	**60,175**	49,067
Amortization	**18,454**	29,047
Operating lease charges	**96,265**	91,723
Provision of impairment of bad and doubtful debts	**18,506**	516

7. NET FINANCE INCOME

	Six months ended September 30, 2013 *RMB'000*	Six months ended September 30, 2012 *RMB'000*
Recognized in profit or loss:		
Interest income on bank deposits	**31,258**	32,395
Interest income on available-for-sale financial assets	**46,272**	51,269
Interest income on other financial assets	**5,161**	203
Change in fair value of contingent considerations	**3,992**	4,631
Change in fair value of derivative financial liabilities	**–**	2,201
Net foreign exchange gain	**23,807**	–
Finance income	**110,490**	90,699
Interest on interest-bearing borrowings	**(29,887)**	(23,401)
Bank charges	**(8,495)**	(32,878)
Change in fair value of derivative financial liabilities	**(73)**	–
Net foreign exchange loss	**–**	(1,681)
Finance costs	**(38,455)**	(57,960)
Net finance income recognized in profit or loss	**72,035**	32,739
Recognized in other comprehensive income:		
Foreign translation differences - foreign operations	**9,941**	(3,126)
Net change in fair value of available-for-sale financial assets	**8,009**	13,076
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	**(14,031)**	(3,318)
Income tax on finance income recognized in other comprehensive income	**1,506**	(2,440)
Net finance income recognized in other comprehensive income, net of tax	**5,425**	4,192

No interest was capitalized during the periods.

8. INCOME TAX EXPENSE

Income tax in profit or loss represents:

	Six months ended September 30, 2013 *RMB'000*	Six months ended September 30, 2012 *RMB'000*
Current tax		
Provision for PRC income tax	**114,517**	188,213
Deferred tax		
Origination of temporary differences	**(17,081)**	(46,154)
	97,436	142,059

(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 Bosideng America Inc., Bosideng UK Limited and Bosideng Retail Limited, as they do not have assessable profits subject to any income tax in the United States and the United Kingdom during the period.

(iii) No tax provision has been made for Talent Shine Limited, Hong Kong Bestmate Limited, Bosideng International Fashion Limited, 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.

For the six months ended September 30, 2013, the standard income tax rate for all domestic companies established in the PRC was 25%, except for Shanghai Bosideng Information Technology Co., Ltd., a software enterprise in the PRC, which was granted a tax holiday by the local tax bureau of tax-exemption for 2 years starting from January 1, 2012 and 50% reduction on the applicable income tax rates for 3 years starting from January 1, 2014.

The effective tax rate for the six months ended September 30, 2013 was approximately 23.3%, which was lower than the standard income tax rate of 25%. This was mainly attributable to the tax-exemption enjoyed by the subsidiary mentioned above and over provision of income tax in the previous year. The effective tax rate for the six months ended September 30, 2012 was approximately 30.9%, which was higher than the standard income tax rate of 25%. This was mainly attributable to the non-deductible expenses and tax losses not recognized as deferred tax assets of certain subsidiaries of the Group.

9. DIVIDENDS

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

	Six months ended September 30, 2013 *RMB'000*	Six months ended September 30, 2012 *RMB'000*
Interim dividend declared and paid of RMB2.9 cents per ordinary share (2012: interim dividend of RMB4.9 cents per ordinary share)	**234,410**	389,958

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, 2013 *RMB'000*	Six months ended September 30, 2012 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB5.2 cents per ordinary share (2012: final dividend of RMB9.8 cents per ordinary share)	**413,743**	780,717

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended September 30, 2013 was based on the profit attributable to equity shareholders of the Company for the six months of RMB326,144,000 (2012: RMB316,398,000) and the weighted average number of shares in issue during the six months ended September 30, 2013 of 7,953,842,000 (2012: 7,961,730,000), calculated as follows:

Profit attributable to ordinary equity shareholders (basic and diluted):

	Six months ended September 30, 2013 *RMB'000*	Six months ended September 30, 2012 *RMB'000*
Profit attributable to ordinary equity shareholders	**326,144**	316,398

Weighted average number of ordinary shares (in thousands):

	Six months ended September 30, 2013	Six months ended September 30, 2012
Issued ordinary shares at April 1	**7,953,842**	7,979,254
Effect of treasury shares held for Share Award Scheme	**–**	(17,524)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,953,842**	7,961,730
Basic and diluted earnings per share (RMB cents)	**4.10**	3.97

The diluted earnings per share for the six months ended September 30, 2013 and 2012 are the same as the basic earnings per share because the potential ordinary shares in respect of the written put option issued to the non-controlling equity shareholder of a subsidiary of the Group (note 14) were anti-dilutive.

11. INVENTORIES

	At September 30, 2013 ***RMB'000***	At March 31, 2013 *RMB'000*
Raw materials	**305,005**	153,948
Work in progress	**378,471**	98,478
Finished goods	**2,019,641**	1,718,567
	2,703,117	1,970,993

At September 30, 2013, the carrying amount of inventories carried at net realizable value amounted to approximately RMB595,355,000 (March 31, 2013: RMB542,818,000).

12. TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2013 ***RMB'000***	At March 31, 2013 *RMB'000*
Trade receivables	**1,840,750**	940,289
Bills receivables	**42,271**	73,794
	1,883,021	1,014,083
Third party other receivables:		
• VAT recoverable	**243,521**	258,049
• Deposits	**527,344**	233,805
• Advances to employees	**22,572**	11,242
• Others	**181,905**	86,135
	2,858,363	1,603,314

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, 2013, trade and bills receivables of approximately RMB137,791,000 (March 31, 2013: RMB71,423,000) 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, 2013 *RMB'000*	At March 31, 2013 *RMB'000*
Within credit terms	**1,745,230**	942,660
1 to 3 months past due	**54,849**	57,842
Over 3 months but less than 6 months past due	**82,117**	11,066
Over 6 months but less than 12 months past due	**825**	2,322
Over 1 year past due	**–**	193
	1,883,021	1,014,083

13. TRADE AND OTHER PAYABLES

	At September 30, 2013 *RMB'000*	At March 31, 2013 *RMB'000*
Trade payables	**937,281**	544,897
Other payables and accrued expenses		
• Deposits from customers	**611,264**	438,461
• Construction payables	**79,119**	49,474
• Accrued rebates and commissions	**161,329**	186,400
• Accrued advertising expenses	**15,825**	31,803
• Accrued payroll and welfare	**150,934**	144,176
• VAT payable	**80,324**	64,841
• Dividends payable	**5,000**	5,000
• Others	**242,915**	153,580
	2,283,991	1,618,632

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

An ageing analysis of trade payables, based on the invoice date, is set out below:

	At September 30, 2013 *RMB'000*	At March 31, 2013 *RMB'000*
Due within 1 month or on demand	**128,962**	215,862
Due after 1 month but within 3 months	**808,319**	329,035
	937,281	544,897

14. NON-CURRENT OTHER PAYABLES

	At September 30, 2013 *RMB'000*	At March 31, 2013 *RMB'000*
Contingent considerations payable	**1,390**	5,382
Cash-settled written put option	**190,832**	173,886
	192,222	179,268

On November 4, 2011, the Group obtained control of Talent Shine Limited and Sunny Bright Global Investments Limited (collectively known as "Jessie") by acquiring 70% of the shares and voting interests of the Jessie business. Pursuant to the relevant sale and purchase agreement (the "SPA"), the total consideration payable comprised a cash consideration of RMB148 million, issuance of 235,000,000 new ordinary shares, and a contingent consideration, with the amount depending on Jessie's adjusted net profit (as defined in the SPA), and payable within three years from March 31, 2012 to March 31, 2015. In addition, the Group granted a written put option to Talent Shine International Limited, the non-controlling equity shareholder of Jessie, giving it the right to sell its entire interest in Jessie after March 31, 2015 at a consideration which comprises cash and a variable number of shares. The consideration for exercising the put option depends on Jessie's adjusted net profit for the year ending March 31, 2015 and in total shall not exceed RMB900,000,000.

(i) Contingent consideration payable

As at September 30, 2013, the fair value of the contingent consideration payable was RMB1,390,000 (March 31, 2013: RMB5,382,000) and was included in the non-current other payables, in the Group's consolidated balance sheet as of September 30, 2013.

The decrease in the balance during the period is attributable to the decrease in the fair value of the contingent consideration payable, which was recorded in profit or loss (note 7).

(ii) Written put option to non-controlling equity shareholder

As at September 30, 2013, the Group recorded the present value of the redemption price of the cash settled portion of the written put option of RMB190,832,000 (March 31, 2013: RMB173,886,000) as a non-current payable with a corresponding increase in other reserves.

As at September 30, 2013, the fair value of the share settled portion of the written put option amounted to RMB10,473,000 (March 31, 2013: RMB10,400,000), and was recorded as derivative financial liabilities with the fair value change being recognized in profit or loss.

15. NON-ADJUSTING POST-BALANCE SHEET EVENTS

(a) Acquisition of a subsidiary

On October 11, 2013, the Group entered into a sale and purchase agreement (the "Agreement") with Fastspeed Investments Limited ("Fastspeed"), pursuant to which the Group has agreed to purchase and Fastspeed has agreed to sell the entire issued share capital of Pacific Trend Investment Limited ("PTI") (the "Acquisition"). PTI is a limited liability company incorporated under the laws of Hong Kong, whose only asset is 96% of the issued share capital of Greenwoods Menswear Limited ("Greenwoods"). Greenwoods is a limited liability company established under the laws of the United Kingdom (the "UK"), which is primarily engaged in the menswear business and owns the menswear apparel brands of "Greenwoods" and "1860" in the UK.

Pursuant to the Agreement, the total consideration for the Acquisition is RMB40,000,000 payable by the Group to Fastspeed in cash on or before December 31, 2013.

(b) Interim dividends

Subsequent to September 30, 2013, the Board of the Company declared an interim dividend of RMB2.9 cents per ordinary share to equity shareholders of the Company on November 28, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

China's apparel industry is going through the most trying times in the decade. The country's apparel retail sales has been decelerating, as evidenced by China Industrial Information Issuing Center's statistics, which show a year-on-year growth of 12.5% in 2012, the lowest in the past ten years and 9.1 percentage points less than that in 2011. The accumulated growth for the nine months ended September 30, 2013 was 6.2% year on year, indicating that deceleration continued. This, coupled with the rising raw material prices, labor costs and rental costs, eroded gradually the profit margin of the country's apparel retail industry.

Due to the poor domestic and global economic environment and the industry downturn, the Group's revenue decreased by 8.8% year on year to RMB2,809.2 million for the period, and its gross profit decreased by 1.1% year on year to RMB1,387.1 million. Net profit attributable to equity holders of the Company amounted to RMB326.1 million, representing an increase of 3.1% as compared to the corresponding period of last year. This was due to the effective cash management of the Group and benefited from lower income tax rates enjoyed by one of the subsidiaries in the PRC.

BUSINESS REVIEW

Down Apparel Business

During the period under review, the revenue of the Group's down apparel business decreased by 4.7% year on year to RMB1,756.3 million, and accounted for 62.5% of the Group's total revenue. Sales volume of branded down apparel slightly increased by 0.4% year on year to 6.53 million units (including the non-seasonal products of the branded down apparel). The Group's brand separation strategy boosted the sales volume under the Bosideng brand by 12.6% year on year for the period. As the first half of the year was the low season for down apparel sales, the Group increased off-season discounts to boost sales and made preparation work for the on-coming peak sales season.

As of September 30, 2013, the total number of stores (net) decreased by 344 to 12,665, and sales area slightly increased by 5.1%. The Group streamlined and adjusted its sales channels during the low season, and the number of third party distributor stores (net) decreased by 1,042 to 8,870 during the period. The number of self-operated stores increased by 698 to 3,795, accounting for 30.0% of the entire retail network.

Retail network composition of down apparel business by brand

As at September 30, 2013	Bosideng Number of stores	Bosideng Sales area	Snow Flying Number of stores	Snow Flying Sales area	Combo Number of stores	Combo Sales area	Bengen Number of stores	Bengen Sales area	Others Number of stores	Others Sales area	Total Number of stores	Total Sales area
Specialty stores												
Operated by the Group	469	83,453	223	27,665	54	5,482	–	–	4	225	750	116,825
Operated by third party distributors	2,595	302,994	1,025	78,601	563	42,569	944	64,659	352	18,149	5,479	506,972
Subtotal	3,064	386,447	1,248	106,266	617	48,051	944	64,659	356	18,374	6,229	623,797
Concessionary retail outlets#												
Operated by the Group	1,104	124,257	1,086	67,926	629	30,408	221	10,671	5	235	3,045	233,497
Operated by third party distributors	789	87,935	685	43,040	1,004	54,927	706	37,164	207	9,748	3,391	232,814
Subtotal	1,893	212,192	1,771	110,966	1,633	85,335	927	47,835	212	9,983	6,436	466,311
Total	**4,957**	**598,639**	**3,019**	**217,232**	**2,250**	**133,386**	**1,871**	**112,494**	**568**	**28,357**	**12,665**	**1,090,108**

As at March 31, 2013	Bosideng Number of stores	Bosideng Sales area	Snow Flying Number of stores	Snow Flying Sales area	Combo Number of stores	Combo Sales area	Bengen Number of stores	Bengen Sales area	Others Number of stores	Others Sales area	Total Number of stores	Total Sales area
Specialty stores												
Operated by the Group	62	14,396	238	28,133	22	2,516	–	–	–	–	322	45,045
Operated by third party distributors	3,023	359,729	1,026	79,772	499	36,501	827	51,004	193	10,939	5,568	537,945
Subtotal	3,085	374,125	1,264	107,905	521	39,017	827	51,004	193	10,939	5,890	582,990
Concessionary retail outlets#												
Operated by the Group	1,074	111,406	963	58,682	735	16,379	1	300	2	85	2,775	186,852
Operated by third party distributors	943	98,876	602	36,085	1,300	79,208	944	31,442	555	21,407	4,344	267,018
Subtotal	2,017	210,282	1,565	94,767	2,035	95,587	945	31,742	557	21,492	7,119	453,870
Total	**5,102**	**584,407**	**2,829**	**202,672**	**2,556**	**134,604**	**1,772**	**82,746**	**750**	**32,431**	**13,009**	**1,036,860**

The unit of sales area is square meter

The Group's concessionary retail outlets are mainly counters in department stores, which are normally operated only during the peak season for down apparel because of the seasonality of its core products.

Retail network composition of down apparel business by region

	As at September 30, 2013	As at March 31, 2013	Change
Eastern China	4,625	4,795	-170
Central China	2,644	2,378	266
Northern China	1,470	1,886	-416
Northeast China	1,435	1,576	-141
Northwest China	1,377	1,402	-25
Southwest China	1,114	972	142
Total	**12,665**	**13,009**	**-344**

Region:
Eastern China: Jiangsu, Anhui, Zhejiang, Shanghai, Fujian, Shandong
Central China: Hubei, Hunan, Henan, Jiangxi, Guangdong, Guangxi, Hainan
Northern China: Beijing, Tianjin, Hebei
Northeast China: Liaoning, Jilin, Heilongjiang, Inner Mongolia
Northwest China: Xinjiang, Gansu, Qinghai, Shaanxi, Ningxia, Shanxi
Southwest China: Sichuan, Tibet, Chongqing, Yunnan, Guizhou

OEM Management Business

During the period under review, the revenue from the Group's OEM management business decreased by 12.9% year on year to RMB653.4 million, and accounted for 23.3% of the Group's total revenue. The decrease in revenue from this business segment was mainly attributable to the slow economic recovery in Europe and the United States as wall as the competition from Southeast Asian countries.

OEM management business completed the full-year production target in the first half of the year. Currently, the Group has 11 OEM clients, which are mainly renowned brands in the United States. Revenue from the top five clients accounted for approximately 72% of the total.

The growth of export business was decelerating and certain overseas clients gradually shifted their OEM orders to the Southeast Asian region. To mitigate the impact, the Group expanded the overseas market for its own brand products. This year, the Group marketed the Bosideng brand down apparel products in countries such as Germany through a renowned European online retail channel operator for apparel, accessories and household goods. The products were designed specifically for the European market by a sophisticated design house in Europe, and were processed in China. The first batch of down apparel products in more than 20 designs were launched in Germany and Italy in October this year. In addition, the Group participated in an international fashion trade show, PANAROMA Berlin, in Germany in July this year. The event attracted apparel distributors and buyers from across Europe. It was the second time the Group attended the trade show. It showcased its 2013 winter collection, which was specifically developed for the European market and comprised approximately 50 designs of down apparel under the Bosideng brand. The products drew enthusiastic response from the distributors.

Non-down Apparel Business

During the period under review, the revenue from non-down apparel business decreased by approximately 18.1% year on year to RMB399.5 million, and accounted for 14.2% of the Group's total revenue. The Group endeavored to reduce stock, adjust product positioning and rationalize distribution and retail channels for its non-down apparel brands.

Poor performing outlets of different brands were successively closed down during the period. In view of the sluggish market, the Group took a more conservative approach in opening new stores. As of 30 September, 2013, the total number of non-down apparel stores (net) decreased by 159 to 1,267.

Retail network composition of non-down apparel business by brand

	Bosideng MAN		JESSIE		Mogao		RICCI		Total	
As at September 30, 2013	Number of stores	Sales area	Number of stores	Sales area	Number of stores	Sales area	Number of stores	Sales area	Number of stores	Sales area
Specialty stores										
Operated by the Group	23	3,853	3	322	–	–	2	265	28	4,440
Operated by third party distributors	323	34,604	43	4,508	151	13,661	–	–	517	52,773
Subtotal	346	38,457	46	4,830	151	13,661	2	265	545	57,213
Concessionary retail outlets										
Operated by the Group	89	5,626	114	9,134	203	25,779	21	1,327	427	41,866
Operated by third party distributors	228	16,433	67	5,754	–	–	–	–	295	22,187
Subtotal	317	22,059	181	14,888	203	25,779	21	1,327	722	64,053
Total	**663**	**60,516**	**227**	**19,718**	**354**	**39,440**	**23**	**1,592**	**1,267**	**121,266**

	Bosideng MAN		JESSIE		Mogao		RICCI		Total	
As at March 31, 2013	Number of stores	Sales area	Number of stores	Sales area	Number of stores	Sales area	Number of stores	Sales area	Number of stores	Sales area
Specialty stores										
Operated by the Group	24	3,977	3	322	–	–	22	1,331	49	5,630
Operated by third party distributors	371	38,725	53	5,492	186	16,517	–	–	610	60,734
Subtotal	395	42,702	56	5,814	186	16,517	22	1,331	659	66,364
Concessionary retail outlets										
Operated by the Group	99	6,193	120	9,445	209	29,959	–	–	428	45,597
Operated by third party distributors	261	18,404	78	6,330	–	–	–	–	339	24,734
Subtotal	360	24,597	198	15,775	209	29,959	–	–	767	70,331
Total	**755**	**67,299**	**254**	**21,589**	**395**	**46,476**	**22**	**1,331**	**1,426**	**136,695**

The unit of sales area is square meter

Retail network composition of non-down apparel business by region

	As at September 30, 2013	As at March 31, 2013	Change
Eastern China	337	384	-47
Central China	333	364	-31
Northern China	69	82	-13
Northeast China	125	177	-52
Northwest China	191	177	14
Southwest China	212	242	-30
Total	**1,267**	**1,426**	**-159**

Region:
Eastern China: Jiangsu, Anhui, Zhejiang, Shanghai, Fujian, Shandong
Central China: Hubei, Hunan, Henan, Jiangxi, Guangdong, Guangxi, Hainan
Northern China: Beijing, Tianjin, Hebei
Northeast China: Liaoning, Jilin, Heilongjiang, Inner Mongolia
Northwest China: Xinjiang, Gansu, Qinghai, Shaanxi, Ningxia, Shanxi
Southwest China: Sichuan, Tibet, Chongqing, Yunnan, Guizhou

This is the second year since the grand opening of the Bosideng London flagship store. The store has gained a better understanding of the preferences and needs of local customers after a year of operation, and has accordingly adjusted and improved the design and tailoring of products. Bosideng London flagship store is actively expanding its retail and wholesale businesses.

In order to bolster the Bosideng brand in an overseas market, Bosideng London flagship Store continued to make brand building and promotion its top priority. In July this year, Bosideng London formed a partnership with Tottenham Hotspur, an English Premier League Football Club to become the club's official menswear provider in the league seasons of 2013/14 and 2014/15. Bosideng London will provide the latest products such as suits, shirts, ties, shoes and accessories for the football club. In addition, Bosideng London's brand will appear in Tottenham Hotspur's official website and social media channels. This will increase the brand's exposure to the football club's fans around the world.

Main Tasks in the First Half of the Year

Addressing the operating issues in the first half of the year, the Group made its efforts in the following key areas: 1) strengthening purchasing management to minimize production costs; 2) adopting a prudent approach to its annual production plan in order to prevent overstocking; 3) scrutinizing and rationalizing sales channels, analyzing and formulating channel expansion plan, and fostering the development of sales channels in a well-organized manner; 4) implementing full-scale retail transformation by providing training and technological support for retail terminal operation; 5) enhancing information management and development; 6) steadily developing e-commerce business, and actively exploring innovative online and offline retail business models.

1. ***Purchasing management***

The Group has accumulated years of experience in purchasing raw materials such as down and surface auxiliary material, and enjoys cost advantages over its peers.

Resource integration: By integrating the business plans of all brands, the Group can determine the total demand for down and surface auxiliary material required, carry out market research and analysis in advance, and select competent suppliers for centralized procurement.

Strategic cooperation: By forming strategic partnership with strong and sizeable suppliers, the Group can tap the source of supply and bypass the intermediaries for better cost control. Meanwhile, the Group will provide its suppliers with professional advice and assistance in crucial processes, to help them reduce costs and enhance production efficiency. This will ultimately lower the Group's procurement cost.

Low season purchasing: Through market research and analysis, the Group can predict the raw material price trend. At the same time, the Group purchases certain standardized raw materials such as down and fillings at the most competitive price in advance during low season (February to May). This helps minimize the risk of price-hikes and keeps procurement and production costs low.

2. ***Production arrangement***

In addition to the orders placed at the trade fair held in June every year (which accounted for approximately 35% of total annual production), the remaining orders can be placed by five replenishment orders during the 3-month peak season. The Group will swiftly adjust its production and purchasing based on actual sales figures and will fulfil additional orders in a timely manner, namely 20 days within the date where the orders were placed.

This will enable the Group to accurately predict the market demand and effectively manage the orders and production according to market sales to avoid overstocking of new stock and maintain stable sales growth with high sales turnover.

3. ***Streamlining and planning of sales channels***

Outlet analysis: During the low season, the Group looked into the statistics and streamlined the stores according to different parameters such as city tier, location of business district and type of store. Using such information on the business districts, the Group analyzed the distribution of its brands and the locations of competing products to formulate its store expansion strategy.

Establishing a channel management team: The Group established a channel management team to improve the channel database, formulate standardized sales channel policies, and enhance audit process and management.

4. ***Implementing a full-scale retail transformation***

The objective of the Group's retail transformation is to fully enhance the quality of its retail terminals in the next three years. Various aspects such as the shop image, product display, service quality and warehouse management are to be improved so as to enhance its stores' service standard and operating efficiency.

Staff evaluation: The Group formulated a comprehensive system to appraise its staff, and provide specific follow-up system training.

Retail squad: The Group firstly selected 60 benchmark stores from stores nationwide which all are all core and major grade-A stores situated at prime locations within each of the region and the central business districts and with a sound image that drives sales. The Group provided on-site training in sales, product display and knowledge about the merchandise for staff and gave them feedbacks and guidance in their practical operation.

5. ***Information management***

Upgrade of the Group's information system: The Group engaged Accenture this year to restructure the Group's information management system. Accenture comprehensively examined the supply chain, finance, sales and management platform and then formulated an information strategy which is suitable for the Group's future development in three to five years. It also re-planned the structure of the information system. Currently, the Group is actively upgrading its system, and has decided to use SAP as its core system to replace its self-developed ERP system in order to achieve integration of its finance and operations. The Group also strengthened risk management and introduced the best practices in the industry to better satisfy the development needs in the future.

Increasing penetration rate of terminal systems: With the penetration rate of the terminal ERP systems in its retail network at 90%, the Group organized retail teams and stepped up its efforts in the supervision, training and guidance for retail terminals. It also facilitated the transformation of its retail operation with information system support. Meanwhile, the Group's POS promotion team developed and customized a POS system for the Group's retail terminals nationwide. The system is more flexible and cost effective. The Group promoted the installation and usage of POS in order to obtain timely and accurate terminal sales data for analysis. As at September 30, 2013, the coverage of POS system of Bosideng brand reached 84%, while those of Snow Flying, Bengen and Combo reached 71%, 56% and 60%, respectively.

6. ***E-commerce***

The Group has steadily developed its e-commerce business, which recorded sales revenue of RMB49.4 million for the period, representing a year-on-year growth of 71.0%.

The Group continued to use TMALL (天貓商城) and other third party e-commerce trading platforms (including 360buy (京東商城), VIP Shop (唯品會) and Amazon) as major sales channels for its e-commerce network. It has already accumulated more than a million customers. Bosideng brand ranked first in the category of down apparel in TMALL in terms of turnover. In the future, this business segment will actively explore interactive online and offline business models. During the period, our e-commerce team won honors including "Jingdong Public Platform Cooperation Conference Charisma Award 2013" and "China E-Commerce Business Model Innovation Award 2013".

Combating online counterfeiting is also an important task in our e-commerce. In order to protect our brand image and pricing system both online and offline, the Group assigned personnel to check the Internet for unauthorized online shops and counterfeit goods, and cooperated with Alibaba Group and local police departments to crack down on illegal shops and trace the origin of such counterfeit goods so as to eradicate such illegal businesses.

CORPORATE TRAINING

Bosideng Business School was established this year with the aim of enhancing the quality and business skills of staff and fostering their career development. The staff will be able to learn from successful business experience, adopt advanced operation and management models, get inspired by innovations while observing the Group's corporate tradition and culture. The Business School offers courses on four major areas including retail management, supply chain management, corporate culture and training management.

During the period under review, the Business School obtained the Leadership Program Certification and trained 87 in-house lecturers. These lecturers have been working for the company in the course of its development and can accurately identify the problems and needs of the team. Accordingly, they can develop target development courses and provide training. As a result, a standardized management practice can be developed to increase management efficiency. During the period, a total of 42 professional training courses were held by the lecturers, covering areas such as product display, engineering, merchandise and marketing. Training sessions lasted over 400 hours and more than 1,200 employees attended them.

SOCIAL RESPONSIBILITY

The Group has supported various social undertakings by donating supplies to Dekang Fraternity Foundation, and is devoted to building a harmonious community with its heartfelt love and actions. On April 20, 2013, the Group donated RMB12 million (in terms of retail value) worth of supplies to the affected area upon the outbreak of a 7.0 Richter scale earthquake in Ya'An, Sichuan Province, and sent teams to the area for disaster relief.

This year, Snow Flying brand continued to cooperate with Tencent to launch the "Loving Down" community campaign, and actively participated in the "Caring Closet" project organized by the China Youth Development Foundation. The Group will donate one gram of down material for every unit of down apparel sold in the 163 core stores specified by Snow Flying. The down materials gathered will be processed into high-quality down apparel for donation to students in impoverished areas, giving them warmth during winter.

OUTLOOK

The Group will continue with its brand separation strategy so as to reinforce its leading position in the core down apparel market. The Group will also improve the following areas:

1. **Forming a unique brand style:** The four core down apparel brands, namely Bosideng, Snow Flying, Combo and Bengen, will differentiate and improve their style, attract and retain target customer groups with their distinctive images and positioning.

2. **Continuously optimizing channel composition:** The Group will further enhance data management and analysis, and adjust and optimize sales channel composition based on the data in order to rationalize the layout of the retail network.

3. **Strictly controlling its operating expenses:** Looking ahead, enhancing operational efficiency will be our ongoing priority. We plan to strictly control our operating costs, especially staff costs, through various measures such as collaborative management, job optimization and streamlining the organizational structure.

In addition, we will also recruit all-season apparel brand management talents to improve the operation and management of non-down apparel business with a view to achieving profitability.

FINANCIAL REVIEW

Revenue

For the six months ended September 30, 2013, the Group recorded a revenue of approximately RMB2,809.2 million (2012: approximately RMB3,080.0 million), representing a decrease of 8.8% as compared to the corresponding period of last year. The decrease of revenue is mainly attributable to the increasingly competitive business environment as well as inventory pressure faced by our distributors, resulting in a decrease of 4.7% and 18.1% in the revenue from sales of down apparel and non-down apparel in the period, respectively. During the period, certain OEM clients gradually shifted their outsourcing production orders to Southeast Asian region to enjoy lower production cost, which result in a decrease of 12.9% in the revenue from OEM management business.

Revenue of the Group is mainly derived from branded down apparel business, and the revenue from which amounted to approximately RMB1,756.3 million, accounting for 62.5% of the Group's total revenue. The revenue from non-down apparel business amounted to approximately RMB399.5 million, accounting for approximately 14.2% of the Group's total revenue. The revenue from OEM management business amounted to approximately 653.4 million, accounting for 23.3% of the Group's total revenue.

Revenue breakdown by segment

	For the six months ended September 30				
	2013		2012		
	RMB million	% of total revenue	RMB million	% of total revenue	Changes in %
Down apparel					
– Self-owned outlets	318.4	11.3%	263.8	8.6%	20.7%
– Wholesale	1,382.7	49.2%	1,575.8	51.1%	-12.3%
– Others[(1)]	55.2	2.0%	2.8	0.1%	1,871.4%
Sub-total	1,756.3	62.5%	1,842.4	59.8%	-4.7%
Non-down apparel					
– Self-owned outlets	242.6	8.6%	238.5	7.7%	1.7%
– Wholesale	154.7	5.5%	236.2	7.7%	-34.5%
– Others[(2)]	2.2	0.1%	13.1	0.4%	-83.2%
Sub-total	399.5	14.2%	487.8	15.8%	-18.1%
OEM management	653.4	23.3%	749.8	24.4%	-12.9%
Total	2,809.2	100.0%	3,080.0	100.0%	-8.8%

(1) *Represents sales primarily of raw materials related to down apparel products and other licensing fee, etc.*

(2) *Represents revenue from rental income, etc.*

The four core brands of the Group, namely "Bosideng", "Snow Flying", "Bengen" and "Combo", have different styles to cope with the needs of different consumers in the market. Most of the revenue from branded down apparel business is derived from wholesale, accounting for approximately 78.7% of the total down apparel revenue, as compared to 85.5% for the corresponding period of last year. Of the four core brands, Bosideng contributed the largest part of the revenue of RMB1,007.5 million, accounting for approximately 57.4% of the total down apparel revenue, while Flying Snow contributed revenue of RMB280.6 million, accounting for approximately 16.0% of the total down apparel revenue. The revenue from sales of Bengen and Combo amounted to approximately RMB164.6 million and RMB202.3 million, accounting for approximately 9.4% and 11.5% of the total down apparel revenue, respectively.

Revenue breakdown by down apparel brand

	For the six months ended September 30				
	2013		2012		
Brands	**RMB million**	**% of branded down apparel sales**	**RMB million**	**% of branded down apparel sales**	**Changes in %**
Bosideng	1,007.5	57.4%	1,030.5	55.9%	-2.2%
Snow Flying	280.6	16.0%	316.2	17.2%	-11.3%
Bengen	164.6	9.4%	222.6	12.1%	-26.1%
Combo	202.3	11.5%	204.9	11.1%	-1.3%
Other brands	46.1	2.6%	65.4	3.5%	-29.5%
Others	55.2	3.1%	2.8	0.2%	1,871.4%
Total down apparel revenue	1,756.3	100.0%	1,842.4	100.0%	-4.7%

The business of the Group's non-down apparel brands, including "Bosideng MAN", "JESSIE" and "Mogao", was more affected by the sluggish retail market during the period. The revenue from sales of "Bosideng MAN" and "JESSIE" ladies' wear amounted to approximately RMB96.0 million and RMB122.3 million, accounting for approximately 24.0% and 30.6% of the total non-down apparel revenue, respectively. The revenue from sales of "Mogao" amounted to approximately RMB168.7 million, accounting for approximately 42.2% of the total non-down apparel revenue.

Revenue breakdown by non-down apparel brand

	For the six months ended September 30				
	2013		2012		
Brands	RMB million	% of non-down apparel sales	RMB million	% of non-down apparel sales	Changes in %
Bosideng MAN	96.0	24.0%	146.1	30.0%	-34.3%
JESSIE	122.3	30.6%	147.6	30.3%	-17.1%
Mogao	168.7	42.2%	169.4	34.7%	-0.4%
Others	12.5	3.2%	24.7	5.0%	-49.4%
Total non-down apparel revenue	399.5	100.0%	487.8	100.0%	-18.1%

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 last year. It amounted to approximately RMB1,422.1 million, accounting for 50.6% of the Group's revenue, as compared to approximately RMB1,676.8 million, accounting for 54.4% of the Group's revenue, for the corresponding period of last year. The main factors contributed to the increase of gross profit margin are the write-back of inventory of approximately RMB58.6 million and the increase in revenue from self-owned outlets.

The gross profit margin of down apparel, non-down apparel and OEM management business for the period under review was 58.7%, 56.2% and 20.0%, respectively, as compared to 56.0%, 48.5% and 18.1% for the corresponding period of last year.

DISTRIBUTION EXPENSES

The Group's distribution expenses, mainly comprising of advertising, promotion, concession fees and salary and welfare, amounted to approximately RMB828.2 million, representing an increase of 4.8%, as compared to approximately RMB790.1 million for the corresponding period of last year. Distribution expenses accounted for 29.5% of total revenue, representing an increase of 3.8 percentage points as compared to 25.7% for the corresponding period of last year. The increase in actual expenditure came from the significant increase in the wages of salespersons and concession fees as a result of increased number of self-owned stores.

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group, which mainly comprised of bad and doubtful debts provision, salary and welfare, travel expenses, consultancy fee and office expenses, amounted to approximately RMB247.6 million, representing an increase of 17.9% as compared to approximately RMB210.1 million for the corresponding period of last year. The increase was mainly attributable to the increase in remuneration and welfare expenses of staff, as well as the increase in the provision for bad and doubtful debts of down apparel business. During the period, administrative expenses accounted for 8.8% of the Group's revenue, representing an increase of 2.0 percentage points as compared to 6.8% for the corresponding period of last year.

OPERATING PROFIT

For the reasons stated above, for the six months ended September 30, 2013, the Group's operating profit decreased by 19.5% to RMB343.4 million. Operating profit margin for the period under review was 12.2%, representing a decrease of 1.6 percentage points as compared to 13.8% for the corresponding period of last year.

FINANCE INCOME

During the period under review, the Group's finance income recognized in profit or loss increased by 21.8% to approximately RMB110.5 million from approximately RMB90.7 million for the corresponding period of last year.

FINANCE COSTS

During the period under review, the Group's finance costs mainly comprised interest expenses and bank charges for the loans borrowed from banks in Hong Kong, which decreased by 33.7% to RMB38.5 million during the period.

TAXATION

For the six months ended September 30, 2013, income tax expenses decreased from RMB142.1 million to RMB97.4 million. The main reason was that in 2013 one of the subsidiaries of the Group in the PRC was granted tax concessions, for a period starting from January 1, 2012 to December 31, 2016. The income taxes over provided by this subsidiary in 2012 were returned by the relevant tax authority.

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 and the loans borrowed from banks in Hong Kong.

For the six months ended September 30, 2013, the Group's net cash used in operating activities amounted to approximately RMB1,237.0 million, as compared to a net cash inflow of approximately RMB632.5 million for the year ended March 31, 2013. Cash and cash equivalents as at September 30, 2013 amounted to approximately RMB1,350.5 million, as compared to approximately RMB1,935.4 million as at March 31, 2013.

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 had expected but not guaranteed returns ranging from 2.60% to 6.21% (March 31, 2013: 4.00% to 6.81%) per annum.

As at September 30, 2013, the bank borrowings of the Group amounted to approximately RMB2,468.9 million (March 31, 2013: approximately RMB2,656.1 million). The gearing ratio (total debt/total equity) of the Group was 34.4%.

CAPITAL COMMITMENTS

As at September 30, 2013, the Group had capital commitments amounting to approximately RMB117.3 million (March 31, 2013: approximately RMB105.8 million).

OPERATING LEASE COMMITMENT

As at September 30, 2013, the Group had irrevocable operating lease commitments amounting to approximately RMB345.0 million (March 31, 2013: approximately RMB340.4 million).

CONTINGENT LIABILITIES

As at September 30, 2013, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at September 30, 2013, bank deposits amounting to approximately RMB700.9 million (March 31, 2013: approximately RMB1,412.8 million) had been pledged to secure the Group's bank loans and banking facilities in relation to bills payable and letters of credit.

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 adopted 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 on the Group.

As at September 30, 2013, the Directors considered the Group's foreign exchange risk was insignificant.

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

HUMAN RESOURCES

As at September 30, 2013, the Group had approximately 6,023 full-time employees (March 31, 2013: 5,327 full-time employees). Staff costs for the six months ended September 30, 2013 (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB355.3 million (2012: approximately RMB261.7 million). This increase was both due to the increase in headcount and average labor cost. The Group's remuneration 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 employees with hotel-styled management services. Non-local university graduates, professional technicians and management staff who do not have a living place in Changshu are entitled to apply for accommodation once they are employed by the Group.

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, a share award scheme ("Share Award Scheme") as well as a share option scheme ("Share Option Scheme").

As at September 30, 2013, no share option was granted by the Group under the Share Option Scheme.

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HKD3.7 cents (equivalent to approximately RMB2.9 cents) per ordinary share for the six months ended September 30, 2013. The proposed interim dividend is payable on or around February 18, 2014 to shareholders whose names appear on the register of members of the Company on February 10, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from February 6, 2014 to February 10, 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend payable on or around February 18, 2014, 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 February 5, 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company except that 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 53,508,000 shares of the Company at a consideration of about HKD88.1 million.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Directors are of the opinion that the Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report ("Code"), as contained in Appendix 14 to the Listing Rules for the six months ended September 30, 2013, 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 to efficient business planning and decision-making of the Company. As all major decisions of the Group 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, 2013 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 28, 2013

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, Mr. Mak Yun Kuen and Mr. Rui Jinsong; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie.