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# 波 司 登 國 際 控 股 有 限 公 司
# Bosideng International Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3998)**

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017

**HIGHLIGHTS**

- Revenue increased by 15.3% to approximately RMB2,959.1 million.
- Gross profit margin increased by 0.7 percentage points to 40.1%.
- Operating profit margin decreased by 2.7 percentage points to 7.4%.
- Profit attributable to equity shareholders of the Company increased by 11.0% to approximately RMB174.5 million.
- The Board declared payment of an interim dividend of HKD1.5 cents per ordinary share.

## 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, 2017, together with the unaudited comparative figures for the corresponding period in 2016. These interim financial statements have not been audited, but have been reviewed by the auditors, KPMG, and the audit committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the six months ended September 30, 2017 — unaudited**

| | *Note* | **Six months ended September 30, 2017** *RMB'000* | **Six months ended September 30, 2016** *RMB'000* |
|---|---|---|---|
| Revenue | 4 | 2,959,143 | 2,566,663 |
| Cost of sales | | (1,771,222) | (1,555,745) |
| **Gross profit** | | 1,187,921 | 1,010,918 |
| Other income | 5 | 21,735 | 24,504 |
| Selling and distribution expenses | | (667,631) | (505,381) |
| Administrative expenses | | (301,065) | (267,137) |
| Impairment losses on goodwill | | (20,000) | — |
| Other expenses | 5 | (2,001) | (3,392) |
| **Profit from operations** | | 218,959 | 259,512 |
| Finance income | | 52,433 | 77,623 |
| Finance costs | | (32,557) | (140,725) |
| **Net finance income /(cost)** | 7 | 19,876 | (63,102) |
| Share of loss of an associate | | — | (4,443) |
| **Profit before taxation** | | 238,835 | 191,967 |
| Income tax expense | 8 | (55,915) | (50,425) |
| **Profit for the period** | | 182,920 | 141,542 |
| **Other comprehensive income for the period:** | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign operations- foreign currency translation differences | | 42,880 | (117,381) |
| Available-for-sale financial assets- net change in fair value reserve | | 2,200 | — |
| **Other comprehensive income for the period, net of tax** | | 45,080 | (117,381) |
| **Total comprehensive income for the period** | | 228,000 | 24,161 |

| | Note | Six months ended September 30, 2017 RMB'000 | Six months ended September 30, 2016 RMB'000 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Equity shareholders of the Company | | 174,506 | 157,177 |
| Non-controlling interests | | 8,414 | (15,635) |
| **Profit for the period** | | 182,920 | 141,542 |
| **Total comprehensive income attributable to:** | | | |
| Equity shareholders of the Company | | 219,610 | 39,796 |
| Non-controlling interests | | 8,390 | (15,635) |
| **Total comprehensive income for the period** | | 228,000 | 24,161 |
| **Earnings per share** | 9 | | |
| - basic (RMB cents) | | 1.65 | 1.91 |
| - diluted (RMB cents) | | 1.65 | 1.91 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**At September 30, 2017 — unaudited**

| | Note | At September 30, 2017 *RMB'000* | At March 31, 2017 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 890,432 | 818,867 |
| Lease prepayments | | 47,621 | 30,134 |
| Intangible assets and goodwill | 10 | 2,047,418 | 1,480,817 |
| Prepayments for an acquisition | | — | 595,000 |
| Non-current trade and other receivables | | 39,596 | 111,671 |
| Investment properties | | 183,189 | 182,614 |
| Deferred tax assets | | 512,851 | 416,665 |
| | | 3,721,107 | 3,635,768 |
| **Current assets** | | | |
| Inventories | 11 | 1,752,398 | 1,436,500 |
| Trade, bills and other receivables | 12 | 2,995,507 | 1,189,388 |
| Receivables due from related parties | | 697,465 | 289,837 |
| Derivative financial assets | | 4,960 | 3,388 |
| Prepayments for materials and service suppliers | | 656,027 | 410,375 |
| Available-for-sale financial assets | 14 | 1,795,202 | 2,610,210 |
| Pledged bank deposits | | 531,130 | 1,441,446 |
| Time deposits with maturity over 3 months | | 157,200 | 266,500 |
| Cash and cash equivalents | | 1,980,822 | 2,834,989 |
| | | 10,570,711 | 10,482,633 |
| **Current liabilities** | | | |
| Current income tax liabilities | | 196,023 | 172,785 |
| Interest-bearing borrowings | | 2,056,366 | 2,984,882 |
| Trade and other payables | 13 | 2,168,709 | 1,204,006 |
| Payables due to related parties | | 20,309 | 21,224 |
| | | 4,441,407 | 4,382,897 |
| **Net current assets** | | 6,129,304 | 6,099,736 |
| **Total assets less current liabilities** | | 9,850,411 | 9,735,504 |

| | Note | At September 30, 2017 *RMB'000* | At March 31, 2017 *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | 222,240 | 224,846 |
| Non-current other payables | | 88,893 | 155,431 |
| | | 311,133 | 380,277 |
| **Net assets** | | 9,539,278 | 9,355,227 |
| **Capital and reserves** | | | |
| Share capital | | 803 | 803 |
| Reserves | | 9,344,581 | 9,174,939 |
| **Equity attributable to equity shareholders of the Company** | | 9,345,384 | 9,175,742 |
| **Non-controlling interests** | | 193,894 | 179,485 |
| **Total equity** | | 9,539,278 | 9,355,227 |

## 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"). It was authorized for issue on November 28, 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016/17 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017/18 annual financial statements. Details of any 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 condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to understanding of the changes in the financial position and performance of the Group since the 2016/17 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It 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, 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The 2016/17 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, 2017.

3 **Changes in accounting policies**

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to IFRSs 2014-2016 Cycle
- Amendments to IAS 7: *Disclosure Initiative*
- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 four 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.
- Ladieswear apparels - The ladieswear apparel segment carries on the business of sourcing and distributing branded ladieswear apparels.
- Diversified apparels - The diversified apparel segment carries on the business of sourcing and distributing non-seasonal apparels, including branded apparels of menswear, under wear and casual wear.

(a) ***Segment results***

| | For the six months ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | **Down apparels** *RMB'000* | **OEM management** *RMB'000* | **Ladieswear apparels** *RMB'000* | **Diversified apparels** *RMB'000* | **Group** *RMB'000* |
| **Revenue from external customers** | 1,483,543 | 677,166 | 505,542 | 292,892 | 2,959,143 |
| Inter-segment revenue | — | — | — | 8,367 | 8,367 |
| **Reportable segment revenues** | 1,483,543 | 677,166 | 505,542 | 301,259 | 2,967,510 |
| **Reportable segment profit/(loss) from operations** | 133,188 | 94,538 | 81,303 | (15,110) | 293,919 |
| Amortization | (369) | — | (24,754) | (5,539) | (30,662) |
| Share of loss of an associate | — | — | — | — | — |
| Impairment losses of goodwill | — | — | — | (20,000) | (20,000) |

| | For the six months ended September 30, 2016 (restated*) | | | | |
|---|---|---|---|---|---|
| | **Down apparels** *RMB'000* | **OEM management** *RMB'000* | **Ladieswear apparels** *RMB'000* | **Diversified apparels** *RMB'000* | **Group** *RMB'000* |
| **Revenue from external customers** | 1,450,203 | 664,290 | 245,226 | 206,944 | 2,566,663 |
| Inter-segment revenue | — | — | 419 | 2,042 | 2,461 |
| **Reportable segment revenues** | 1,450,203 | 664,290 | 245,645 | 208,986 | 2,569,124 |
| **Reportable segment profit/(loss) from operations** | 177,464 | 86,322 | 81,068 | (35,742) | 309,112 |
| Amortization | (445) | — | (13,989) | (6,217) | (20,651) |
| Share of loss of an associate | — | — | (4,443) | — | (4,443) |
| Impairment losses of goodwill | — | — | — | — | — |

* As a result of the acquisition of Joy Smile Development Limited ("Joy Smile") and You Nuo (Tianjin) Clothing Limited ("You Nuo") during the six months ended September 30, 2017, the Group has changed the composition of its reportable segments. Accordingly, the Group has restated the reportable segment information for the six months ended September 30, 2017.

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

| | For the six months ended September 30, 2017 | For the six months ended September 30, 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Revenue** | | |
| Reportable segment revenues | 2,967,510 | 2,569,124 |
| Elimination of inter-segment revenue | (8,367) | (2,461) |
| Consolidated revenue | 2,959,143 | 2,566,663 |
| **Profit before taxation** | | |
| Reportable segment profit derived from the Group's external customers | 293,919 | 309,112 |
| Amortization expenses | (30,662) | (20,651) |
| Government grants | 17,324 | 5,642 |
| Impairment losses of goodwill | (20,000) | — |
| Unallocated expenses | (41,622) | (39,034) |
| Finance income | 52,433 | 77,623 |
| Finance costs | (32,557) | (140,725) |
| Consolidated profit before taxation | 238,835 | 191,967 |

## 5 Other income/(expenses)

| | *Note* | Six months ended September 30, 2017 | Six months ended September 30, 2016 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| Royalty income | (i) | 4,411 | 4,626 |
| Government grants | (ii) | 17,324 | 5,642 |
| Remeasurement to fair value of pre-existing interest in acquiree | | — | 14,236 |
| Other income | | 21,735 | 24,504 |
| Other expense - Donations | | (2,001) | (3,392) |

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

(ii) The Group received unconditional discretionary grants amounting to RMB17,324,000 during the six months period ended September 30, 2017 (six months ended September 30, 2016: RMB5,642,000) 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, selling and distribution expenses and administrative expenses.

| | **Six months ended September 30, 2017** *RMB'000* | **Six months ended September 30, 2016** *RMB'000* |
|---|---|---|
| Cost of inventories recognized as expenses included in cost of sales | 1,771,222 | 1,555,745 |
| Depreciation | | |
| - Assets leased out under operating leases | 3,000 | 2,971 |
| - Other assets | 53,589 | 58,398 |
| Amortization | 30,662 | 20,651 |
| Impairment loss of goodwill (note 10) | 20,000 | — |
| Operating lease charges | 61,778 | 69,305 |
| Provision for impairment of bad and doubtful debts | 10,305 | 6,751 |

7 **Net finance income/(cost)**

| | **Six months ended September 30, 2017** *RMB'000* | **Six months ended September 30, 2016** *RMB'000* |
|---|---|---|
| **Recognized in profit or loss:** | | |
| Interest income on bank deposits | 9,411 | 17,717 |
| Interest income on available-for-sale financial assets | 37,980 | 43,132 |
| Interest income on other financial assets | 600 | 2,007 |
| Total interest income on financial assets not at fair value through profit or loss | 47,991 | 62,856 |
| Change in fair value of derivative financial assets | 1,572 | 11,657 |
| Change in fair value of derivative financial liabilities (note 15) | — | 3,110 |
| Net foreign exchange gain | 2,870 | — |
| Finance income | 52,433 | 77,623 |
| Interest on interest-bearing borrowings | (25,678) | (64,642) |
| Bank charges | (6,879) | (9,048) |
| Net foreign exchange loss | — | (67,035) |
| Finance costs | (32,557) | (140,725) |
| Net finance income/(cost) recognized in profit or loss | 19,876 | (63,102) |

## 8 Income tax expense

***Income tax in profit or loss represents:***

| | Six months ended September 30, 2017 | Six months ended September 30, 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Current tax expenses** | | |
| Provision for income tax | 135,174 | 67,346 |
| **Deferred tax benefit** | | |
| Origination of temporary differences | (79,259) | (16,921) |
| | 55,915 | 50,425 |

(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 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 includes provision for PRC income tax and provision for HK income tax. 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. Provision for HK income tax is calculated at Hong Kong Profits Tax rate 16.5% on the estimated assessable Hong Kong profits for the year.

For the six months ended September 30, 2017, the standard income tax rate for all domestic companies established in the PRC was 25%, except for Jiangsu Bosideng Supply Chain Co., Ltd., an enterprise in the PRC, which provides service of purchase, production planning, order management, storage and logistics management, and client service to group companies, was granted a preferential rate of 15% for high-tech enterprises for three years starting from 2016.

The effective tax rate for the six months ended September 30, 2017 was approximately 23%, lower than the standard PRC income tax rate of 25%, which was mainly attributable to the combined effect of non-deductible expenses and tax losses of certain subsidiaries of the Group not recognized as deferred tax assets.

9 **Earnings per share**

(a) ***Basic earnings per share***

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB174,506,000 (six months ended September 30, 2016: RMB157,177,000) and the weighted average number of ordinary shares of 10,565,742,000 (six months ended September 30, 2016: 8,247,318,000 shares) in issue during the interim period.

(b) ***Diluted earnings per share***

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB174,506,000 (six months ended September 30, 2016: RMB157,177,000) and the weighted average number of ordinary shares of 10,597,766,000 (six months ended September 30, 2016: 8,247,318,000), after adjusting for the effect of the Company's share-based payment arrangements. 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 15) was anti-dilutive.

10 **Intangible assets and goodwill**

| | **Goodwill** | **Customer relationships** | **Trademarks** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | |
| At April 1, 2017 | 1,302,190 | 635,602 | 407,745 | 2,345,537 |
| Additions | — | — | — | — |
| Acquisition through a business combination | 390,046 | — | 226,050 | 616,096 |
| At September 30, 2017 | 1,692,236 | 635,602 | 633,795 | 2,961,633 |
| **Amortization and impairment loss:** | | | | |
| At April 1, 2017 | (321,274) | (481,936) | (61,510) | (864,720) |
| Amortization charge for the period | — | (14,592) | (14,903) | (29,495) |
| Impairment losses | (20,000) | — | — | (20,000) |
| At September 30, 2017 | (341,274) | (496,528) | (76,413) | (914,215) |
| **Net book value:** | | | | |
| At September 30, 2017 | 1,350,962 | 139,074 | 557,382 | 2,047,418 |
| At March 31, 2017 | 980,916 | 153,666 | 346,235 | 1,480,817 |

The amortization charge of customer relationships and trademarks for the period is included in "selling and distribution expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended September 30, 2017, based on the impairment assessment, an impairment loss of goodwill of RMB20,000,000 (six months ended September 30, 2016: nil) was recognized in the condensed consolidated statement of profit or loss and other comprehensive income in light of the actual operating results and cash flows for Menswear cash generating unit ("CGU") were lower than expected.

The recoverable amounts of Menswear CGU were estimated based on the value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The value in use calculation uses cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate of 3%. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for a risk premium to reflect specific risks relating to the CGU. The estimate of value in use of Menswear CGU was determined using a pre-tax discount rate of 18%.

## 11 Inventories

| | **At September 30, 2017** | **At March 31, 2017** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Raw materials | 569,560 | 265,424 |
| Work in progress | 16,758 | 9,413 |
| Finished goods | 1,166,080 | 1,161,663 |
| | 1,752,398 | 1,436,500 |

## 12 Trade, bills and other receivables

| | Note | At September 30, 2017 RMB'000 | At March 31, 2017 RMB'000 |
|---|---|---|---|
| Trade receivables | | 2,481,376 | 629,747 |
| Bills receivable | | 37,525 | 78,715 |
| Less: Allowance for doubtful debts | | (109,881) | (102,123) |
| | | 2,409,020 | 606,339 |
| Third party other receivables: | | | |
| — VAT recoverable | | 82,752 | 74,488 |
| — Deposits | | 156,588 | 173,706 |
| — Advances to employees | | 43,207 | 36,426 |
| — Secured loans receivable | | — | 81,032 |
| — Receivables from companies controlled by the former controlling shareholder of Buoubuou International Holdings Ltd. | | 110,829 | 110,829 |
| — Advances to a company controlled by the non-controlling shareholder of a subsidiary, Jessie International Holdings Ltd. | | 97,517 | 98,136 |
| — Amounts due from brokers | (i) | 76,080 | — |
| — Others | | 19,514 | 8,432 |
| | | 2,995,507 | 1,189,388 |

(i) Amounts due from brokers mainly represented the amount of sale of available-for-sale financial assets but not yet settled with the brokers (note 14(b)).

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

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade, bills and other receivables), based on the invoice date and net of impairment losses on bad and doubtful debts, is as follows:

| | At September 30, 2017 RMB'000 | At March 31, 2017 RMB'000 |
|---|---|---|
| Within credit terms | 2,292,319 | 503,523 |
| 1 to 3 months past due | 87,569 | 54,992 |
| Over 3 months but less than 6 months past due | 29,132 | 13,293 |
| Over 6 months but less than 12 months past due | — | 95 |
| Over 1 year past due | — | 34,436 |
| | 2,409,020 | 606,339 |

Trade receivables and bills receivable are generally due within 30 to 90 days from the date of billing.

## 13 Trade and other payables

| | | At September 30, 2017 | At March 31, 2017 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| Trade payables | | 908,785 | 495,077 |
| Other payables and accrued expenses | | | |
| — Deposits from customers | | 452,662 | 206,229 |
| — Construction payables | | 25,942 | 29,310 |
| — Accrued advertising expenses | | 2,157 | 14,695 |
| — Accrued payroll, welfare and bonus | | 118,870 | 202,711 |
| — Cash-settled written put option (note 15) | | 52,990 | 22,923 |
| — VAT payable | | 193,558 | 38,542 |
| — Dividends payable | | 5,000 | 5,000 |
| — Current portion of dividends payable to the former controlling shareholder of a subsidiary, Buoubuou International Holdings Ltd. | | 52,055 | 13,014 |
| — Advances from a company controlled by the former controlling shareholder of Buoubuou International Holdings Ltd. | | 42,713 | 29,159 |
| — Payables in relation to unvested restricted shares | | 17,293 | 20,261 |
| — Advances from a company controlled by the non-controlling shareholder of Jessie International Holdings Ltd. | | 54,237 | — |
| — Payables in relation to completion of acquisition of Joy Smile | | 65,000 | — |
| — Amounts due to brokers | (i) | 30,242 | — |
| — Others | | 147,205 | 127,085 |
| | | 2,168,709 | 1,204,006 |

(i) Amounts due to brokers mainly represented the amount of buy-in of available-for-sale financial assets but not yet settled with the brokers.

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, 2017 | At March 31, 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 month | 546,427 | 364,505 |
| 1 to 3 months | 362,358 | 130,572 |
| | 908,785 | 495,077 |

14 **Available-for-sale financial assets**

| | | At September 30, 2017 | At March 31, 2017 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| Short-term investments with banks | (a) | 1,337,882 | 2,610,210 |
| Available-for-sale securities | (b) | 457,320 | — |
| | | 1,795,202 | 2,610,210 |

(a) ***Short-term investments with banks***

Available-for-sale financial assets are principal guaranteed short-term investments with banks in the PRC. These investments have expected but not guaranteed returns, ranging from 2.30% to 4.55% per annum (March 31, 2017: 2.30% to 4.90%).

During the period, the changes in fair value of short-term investments with banks of RMB4,813,000 was recognised in the other comprehensive income.

(b) ***Available-for-sale securities***

On March 30 2017, Delight Kingdom Group Limited ("Delight Kingdom"), a subsidiary of the Group, entered into a framework agreement ("Framework Agreement") to subscribe for the participating shares corresponding to the Bosideng Industry Investment Fund S.P.("Bosideng Fund"), a segregated portfolio established and operated by Cithara Global Multi-Strategy SPC ("Cithara") under the name of Bosideng Fund, for an amount up to USD100 million pursuant to one or more subscription agreements entered into between Delight Kingdom and Cithara. Bosideng Fund is 100% invested by Delight Kingdom.

Bosideng Fund is managed by Cithara with the objectives of capturing investment opportunities in projects relating to relevant sectors within the fashion and apparel industry and to the extent that cash assets of Bosideng Fund have not been fully invested in or committed for such investment projects, enhancing short-to-medium term investment income by investing the spare cash assets of Bosideng Fund on the investment products with high liquidity and appreciation potential.

Available-for-sale securities, representing trading stocks and bonds held by Bosideng Fund, comprise:

| | At September 30, 2017 | At March 31, 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| - maturing within 1 year | 457,320 | — |

During the period, the changes in fair value of available-for-sale securities of RMB2,613,000 was recognised in the other comprehensive income.

15 **Derivative financial liabilities**

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 Group granted a written put option to Talent Shine International Limited, the non-controlling shareholder of Jessie, giving it the right to sell its entire 30% interest in Jessie after March 31, 2015 at a consideration which comprises cash and a variable number of shares of Bosideng. The consideration for exercising the put option depends on Jessie's adjusted net profit for the previous financial year and in total shall not exceed RMB900,000,000. The put option was not yet exercised by Talent Shine International Limited as at March 31, 2017.

As at September 30, 2017, the present value of the redemption price of the cash settled portion of the written put option of RMB52,990,000 was recorded as a current payable (March 31, 2017: RMB22,923,000). The increase of RMB30,067,000 during the year was recorded as an increase of other reserves.

As at September 30, 2017, the fair value of the share settled portion of the written put option was zero (March 31, 2017: nil), and no derivative financial liabilities with the fair value change of a gain was recognized in profit or loss (March 31, 2017: RMB3,219,000).

16 **Dividends**

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

| | **Six months ended September 30, 2017** | **Six months ended September 30, 2016** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interim dividend declared and paid after the interim period of RMB1.3 cents per ordinary share (2016: interim dividend of RMB0.9 cent per ordinary share) | 135,025 | 94,907 |

The interim dividend has not been recognized as a liability at the end of the reporting period.

(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, 2017** | **Six months ended September 30, 2016** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Final dividend in respect of the previous financial year, approved and paid during the period, of RMB0.4 cent per ordinary share (2016: final dividend of RMB2.2 cents per ordinary share) | 44,728 | 198,157 |

**Management Discussion and Analysis**

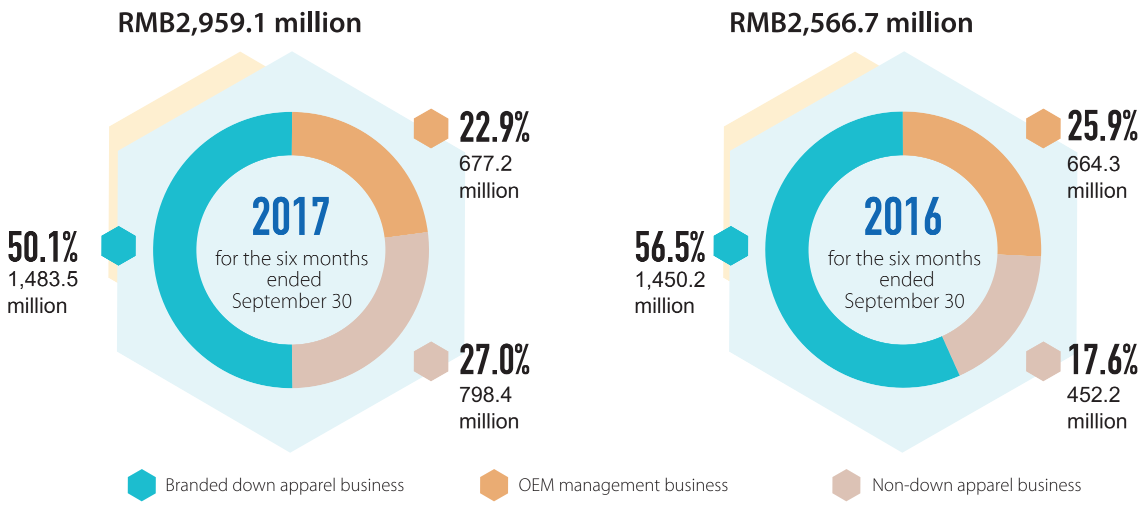
Over the past few years, the PRC retail market and consumption behavior have undergone tremendous changes. Consumers have higher expectations on brands, life functions and sales services, which entails enterprises attaching importance to consumer experience, product innovation, brand building and corporate image. The popularity of mobile devices has made information more easily accessible and online shopping more convenient, and has dramatically changed the purchasing behaviors and way of advertising, driving enterprises to respond faster to market changes, all these have brought certain impact to the industry. In light of the changing markets, only those enterprises that are striving for innovation and keeping up with the times are able to distinguish from other competitors and remain in the complex and volatile market. In response to the changing market, the Group is gradually moving towards the transition from a traditional business model that focuses on wholesale to a retail model that attaches greater importance to the needs of consumers, while accelerating its efforts in generating timely response to market changes throughout all segments of its business operation including branding, products, logistics and retail, so as to cater to the demands of the market and consumers. The Group is committed to building a more solid business foundation for a healthy and sustainable development.

**Revenue Analysis**

During the period under review, the Group saw an increase in its source of revenue due to the development of new business *Bosideng HOME* last year and the newly acquired of new ladieswear brands *KOREANO and KLOVA* during the period, thereby driving the overall growth of non-down apparel business revenue and the Group's total revenue. During the six months ended September 30, 2017, revenue of the Group amounted to approximately RMB2,959.1 million, representing an increase of approximately 15.3% as compared to that for the corresponding period of last year. During the period under review, the branded down apparel business remained the biggest revenue contributor of the Group, accounting for 50.1% of the Group's revenue, with the remaining 22.9% and 27.0% derived from OEM management business and non-down apparel business, respectively. During the same period last year, the three business segments mentioned above accounted for 56.5%, 25.9% and 17.6% of the Group's revenue, respectively.

Revenue from the branded down apparel business, OEM management business and non-down apparel business amounted to approximately RMB1,483.5 million, RMB677.2 million and RMB798.4 million for the period under review, representing an increase of 2.3%, 1.9% and 76.6% as compared to that for the corresponding period of last year.

**Revenue by Business**




***Branded Down Apparel Business:***

In recent years, the Group has endeavored to clear inventory and adjust the sales network. After years of efforts, current inventory has returned to a healthy level and the layout of sales network has become more reasonable. Most importantly, the inventory awareness of the Group and its distributors have also been strengthened. Inventory was controlled from the beginning of the operation and management under the implementation of a three-year product clearance policy. The Group will continue to maintain stringent product planning and production to avoid unnecessary inventory accumulation. During the period under review, the Group continued to enhance its overall operation capability and promote meticulous retail management. The Group held weekly operations analysis meetings to discuss business issues interdepartmentally and formulated solutions in a collective and timely manner. Meanwhile, sales of each product at retail level was followed up on a weekly basis through strengthened terminal retail information analysis to facilitate timely and strategic adjustment to enhance operation efficiency, thereby making prompt response to market changes.

Since this year, the Group has applied a more detailed arrangement and management of placement of orders. Under the new practice, order placements of direct sales and wholesale are completely separated while single-store orders are applied to self-operated stores, as opposed to the integrated order placement by sales region that was practiced previously. Through timely notification and analysis of retail information, the Group regulated the order mix of all direct sales stores and distributors to ensure viable and reasonable order placement and to make timely adjustment to market changes. This system also benefits our distributors, leading to a mutual and healthy development.

In terms of products, rising consumer demand down apparel on functionality has pushed the Group to excite the market with new attempts such as the launching of the Anti-Cold series (極寒系列) and Wind Breaker series (風衣系列) this year. The Anti-Cold series provides maximum heat preservation and is of top quality among *Bosideng*'s down apparel. This series of down apparel contains 90% white goose down with fill power reaching 800. It uses high-density, high-thread count insulated fabric which can resist extreme cold weather up to below 30 degrees, together with the chic elements, offering its consumers a brand new cold-resistance experience. During the period under review, the Group also introduced the new Wind Breaker series which defies conventional impression of bulkiness towards down apparel by incorporating the function of heat preservation and a fashionable, slim design which has won the favor of many consumers.

The Disney series, a popular series in the market when it was initially launched last year, was launched again this year along with a breakthrough in material selection, design, cutting and innovation. Through customized printing, attachment of ribbons and etc, this series fully demonstrates the elements of Disney, showcasing every detail with personality and a sense of childlike wonder. The series was very appealing to young followers and the number of Disney promotional stores has increased to 306 nationwide this year from 42 stores when the series was initially launched in 2016. Our brand rejuvenation is crucially attributable to such substantial number of young followers attracted by the series.

**Revenue from down apparel business by brand**

| | For the six months ended September 30 | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| **Brands** | **RMB million** | **% of branded down apparel revenue** | RMB million | % of branded down apparel revenue | Change |
| *Bosideng* | **1,254.3** | **84.6%** | 1,234.9 | 85.2% | 1.6% |
| *Snow Flying* | **69.5** | **4.7%** | 89.8 | 6.2% | -22.6% |
| *Bengen* | **93.2** | **6.2%** | 78.4 | 5.4% | 18.9% |
| Other brands | **20.9** | **1.4%** | 39.3 | 2.8% | -46.8% |
| Others | **45.6** | **3.1%** | 7.8 | 0.4% | 484.6% |
| Total revenue from branded down apparel business | **1,483.5** | **100.0%** | 1,450.2 | 100.0% | 2.3% |

**Revenue from branded down apparel business by sale category**

| | For the six months ended September 30 | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| **Brands** | **RMB million** | **% of branded down apparel revenue** | RMB million | % of branded down apparel revenue | Change |
| Self-operated | **336.3** | **22.7%** | 300.7 | 20.8% | 11.8% |
| Wholesale | **1,101.6** | **74.2%** | 1,141.7 | 78.7% | -3.5% |
| Others* | **45.6** | **3.1%** | 7.8 | 0.5% | 484.6% |
| Total revenue from branded down apparel business | **1,483.5** | **100.0%** | 1,450.2 | 100.0% | 2.3% |

* *Represents sales of raw materials related to down apparel products and other licensing fees, etc.*

During the period under review, the Group continued to actively optimize the retail network and shut down underperforming stores to enhance store quality. As at September 30, 2017, the total number of retail outlets of the Group's down apparel business (net) increased by 221 from March 31, 2017 to 4,513. During the period under review, self-operated retail outlets (net) increased by 58 to 1,432; and retail outlets operated by third party distributors (net) increased by 163 to 3,081. The self-operated and third-party distributor-operated retail outlets as a percentage of the overall retail network were 31.7% and 68.3%, respectively.

**Retail network by down apparel**

| As at September 30, 2017 | *Bosideng* Number of stores | Change | *Snow flying* Number of stores | Change | *Bengen* Number of stores | Change | **Total** Number of stores | Change |
|---|---|---|---|---|---|---|---|---|
| **Specialty stores** | | | | | | | | |
| Operated by the Group | 543 | +91 | 7 | -35 | 6 | +6 | 556 | +62 |
| Operated by third party distributors | 1,758 | -3 | 168 | +108 | 403 | +92 | 2,329 | +197 |
| Subtotal | 2,301 | +88 | 175 | +73 | 409 | +98 | 2,885 | +259 |
| **Concessionary retail outlets** | | | | | | | | |
| Operated by the Group | 673 | -45 | 178 | +16 | 25 | +25 | 876 | -4 |
| Operated by third party distributors | 418 | -43 | 83 | +16 | 251 | -7 | 752 | -34 |
| Subtotal | 1,091 | -88 | 261 | +32 | 276 | +18 | 1,628 | -38 |
| **Total** | **3,392** | **—** | **436** | **+105** | **685** | **+116** | **4,513** | **+221** |

**Change**: Compared with that as at March 31, 2017

**Retail network of down apparel business**

| | As at September 30, 2017 | As at March 31, 2017 | Change |
|---|---|---|---|
| Eastern China | **1,624** | 1,495 | +129 |
| Central China | **1,005** | 934 | +71 |
| Northern China | **382** | 424 | -42 |
| Northeast China | **484** | 501 | -17 |
| Northwest China | **544** | 533 | +11 |
| Southwest China | **474** | 405 | +69 |
| **Total** | **4,513** | 4,292 | +221 |

Areas
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, revenue from the Group's OEM management business increased by 1.9% to approximately RMB677.2 million as compared with that of last year, accounting for 22.9% of the Group's revenue. The OEM management business had 13 major customers and the percentage of revenue from the top five customers accounted for approximately 67.8% of its total revenue.

In the past two financial years, revenue from the Group's OEM management business recorded decrease due to competition from Southeast Asia. However, part of the orders returned to China from Southeast Asia after the United States announced its official withdrawal from the Trans-Pacific Strategic Economic Partnership Agreement in January 2017. Coupled with a more sophisticated and mature industry chain together with higher production efficiency in China, the Group expects there would be a slight recovery in the revenue of the Group's OEM management business in this financial year.

***Non-down Apparel Business:***

During the period under review, revenue from the Group's non-down apparel business was approximately RMB798.4 million, representing a significant increase of 76.6% compared with that of last year. Apart from organic growth, *Bosideng HOME* launched last year and the ladieswear brands newly-acquired during the period became new income driver of non-down apparel business and offset the decrease in revenue due to the disposal of *Mogao*. During the period under review, non-down apparel business continued to focus on adjusting the sales channels, clearing inventories and strengthening retail capabilities. Revenue from the non-down apparel brands are as follows:

**Revenue from non-down apparel business by brand**

| | **For the six months ended September 30** | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| **Brands** | **RMB million** | **% of non-down apparel revenue** | RMB million | % of non-down apparel revenue | Change |
| *Bosideng HOME* | **203.9** | **25.5%** | — | N/A | N/A |
| *Bosideng MAN* | **75.9** | **9.5%** | 100.5 | 22.2% | -24.5% |
| *JESSIE* | **175.4** | **22.0%** | 168.9 | 37.4% | 3.8% |
| *BUOU BUOU* | **179.7** | **22.5%** | 76.3 | 16.9% | 135.5% |
| *KOREANO* | **65.8** | **8.2%** | — | N/A | N/A |
| *KLOVA* | **84.6** | **10.6%** | — | N/A | N/A |
| *Mogao* | **—** | **N/A** | 100.5 | 22.2% | N/A |
| Other brands and others | **13.1** | **1.7%** | 6.0 | 1.3% | 118.3% |
| Total revenue from non-down apparel business | **798.4** | **100.0%** | 452.2 | 100.0% | 76.6% |

**Revenue from non-down apparel business by sale category**

| | For the six months ended September 30 | | | | |
|---|---|---|---|---|---|
| | **2017** | | 2016 | | |
| **Brands** | **RMB million** | **% of non-down apparel revenue** | RMB million | % of non-down apparel revenue | Change |
| Self-operated | **455.7** | **57.1%** | 277.6 | 61.4% | 64.2% |
| Wholesale | **342.7** | **42.9%** | 170.6 | 37.7% | 100.9% |
| Others* | **—** | **N/A** | 4.0 | 0.9% | N/A |
| Total revenue from non-down apparel business | **798.4** | **100.0%** | 452.2 | 100.0% | 76.6% |

* *Represents revenue from rental income*

***Bosideng HOME***

During the period under review, revenue from *Bosideng HOME* was approximately RMB203.9 million, among which, revenue from self-operated business and wholesale business were approximately RMB4.6 million and RMB199.3 million, respectively. After nearly one year of operation, the products and styles of *Bosideng HOME* have gained increasing acceptance by consumers. Its business became more mature and standardised, with a better grasp on product mix and product development for the future. The products of *Bosideng HOME* are mainly beddings, homewear, underwear and brassieres which are progressively forming an all-season series. Currently, there are 27 *Bosideng HOME* outlets, among which, 25 are operated as specialised display stores that are mainly located on the first and second floor of commercial plazas or supermarkets, while two stores are set up as galleries in shopping malls. The number of galleries is expected to gradually increase in the future.

***Bosideng MAN***

During the period under review, revenue from *Bosideng MAN* business decreased by 24.5% to approximately RMB75.9 million. Revenue from self-operated business and wholesale business decreased by 27.8% and 24.2% to approximately RMB6.2 million and RMB69.7 million, respectively. During the period under review, *Bosideng MAN* actively adjusted its business and continued to optimize its retail network and eliminate uncompetitive retail outlets, resulting in a decrease in total number of retail outlets by 81 to 282, leading to decreased income.

***JESSIE***

During the period under review, revenue from *JESSIE* increased by 3.8% to approximately RMB175.4 million, among which, revenue from self-operated business increased by 2.6% to approximately RMB117.6 million and revenue from wholesale business increased by 6.5% to RMB57.8 million, respectively. During the period under review, with efforts on product transformation and upgrades, *JESSIE* gained popularity in the market and the products were well received by consumers, thus driving increased efficiency of and revenue from self-operated stores. The number of *JESSIE* retail outlets (net) increased by 8 to 204 during the period under review.

***BUOU BUOU***

The Group fully acquired *BUOU BUOU* in late July last year. During the period under review, revenue from *BUOU BUOU* was approximately RMB179.7 million, among which, revenue from self-operated business and wholesale business were approximately RMB163.9 million and approximately RMB15.8 million, respectively. In order to improve its business foundation, *BUOU BUOU* proactively shut down low-efficiency or underperforming retail outlets, strategically cutback on new products and intensified discount promotions to clear inventory during the period under review. Moreover, *BUOU BUOU* proactively put in more effort in product research during the period, so as to develop products that better accommodate market needs. The number of *BUOU BUOU* retail outlets (net) decreased by 22 to 197 during the period under review.

***KOREANO and KLOVA***

The Group completed its acquisition of Joy Smile Development Limited ("Joy Smile") and You Nuo (Tianjin) Clothing Limited ("You Nuo") in April 2017. Joy Smile is principally engaged in sourcing and distributing ladies' wear. It owns the trademarks of brands *KOREANO* and *KLOVA* and has established sales channel and management team. You Nuo is the sole production agent for brands *KOREANO* and *KLOVA*. Pursuant to the acquisition agreement, the Vendor guaranteed that the audited profit after taxation of *KOREANO* and *KLOVA* for this financial year shall not be less than RMB70 million, or the Vendor shall make up the shortfall to the Group.

*KOREANO* is positioned as a mid-to-high-end ladieswear brand in China. The products under the brand feature a chic, elegant and tasteful style, and target office ladies aged between 25 and 35. Meanwhile, *KLOVA* features products of simple, stylish yet gracious designs and targets discerning female customers aged between 30 and 40. During the period under review, revenue from *KOREANO* and *KLOVA* were RMB65.8 million and RMB84.6 million, respectively. As of September 30, 2017, *KOREANO* and *KLOVA* had 55 and 70 stores, respectively.

### Retail network of non-down apparel brand by brand

| | *Bosideng HOME* | *Bosideng MAN* | | *JESSIE* | | *BUOU BUOU* | | *KOREANO* | *KLOVA* | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at September 30, 2017** | **Number of stores** | **Number of stores** | **Change** | **Number of stores** | **Change** | **Number of stores** | **Change** | **Number of stores** | **Number of stores** | **Number of stores** |
| **Specialty stores** | | | | | | | | | | |
| Operated by the Group | 18 | 84 | +8 | 3 | — | 13 | -1 | — | — | 118 |
| Operated by third party distributors | — | 88 | -77 | 22 | -1 | 7 | +1 | — | — | 117 |
| Subtotal | 18 | 172 | -69 | 25 | -1 | 20 | — | — | — | 235 |
| **Concessionary retail outlets** | | | | | | | | | | |
| Operated by the Group | 4 | 47 | +1 | 111 | +5 | 125 | -14 | 55 | 70 | 412 |
| Operated by third party distributors | 1 | 63 | -13 | 68 | +4 | 52 | -8 | — | — | 184 |
| Subtotal | 5 | 110 | -12 | 179 | +9 | 177 | -22 | 55 | 70 | 596 |
| **Total** | **23** | **282** | **-81** | **204** | **+8** | **197** | **-22** | **55** | **70** | **831** |

Change: Compared with that as at March 31, 2017.

**Retail network of non-down apparel business by region**

| | **As at september 30, 2017** | As at March 31, 2017 | Change |
|---|---|---|---|
| Eastern China | **193** | 165 | +28 |
| Central China | **233** | 247 | -14 |
| Northern China | **75** | 64 | +11 |
| Northeast China | **72** | 45 | +27 |
| Northwest China | **138** | 132 | +6 |
| Southwest China | **120** | 125 | -5 |
| **Total** | **831** | 778 | +53 |

Areas

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

## GROSS PROFIT

Along with the growth of down apparel business and the acquisition of new ladieswear business during the period, gross profit of the Group increased by 17.5% from approximately RMB1,010.9 million in the same period last year to approximately RMB1,187.9 million, while overall gross margin increased by 0.7 percentage points to 40.1%.

During the period under review, gross margin of branded down apparel business, non-down apparel business and OEM management business was 42.7%, 52.1% and 20.4%, respectively, as compared to 43.6%, 52.0% and 21.6% last year, respectively.

## DISTRIBUTION EXPENSES

The Group's distribution expenses, mainly comprising of advertising, promotion, concession fees, rental and salary and welfare, amounted to approximately RMB667.6 million, representing an increase of 32.1% as compared to approximately RMB505.4 million for the corresponding period of last year. Distribution expenses accounted for 22.6% of total revenue, representing an increase of 2.9 percentage points as compared to 19.7% for the corresponding period of last year. The increase in distribution expenses during the period under review was mainly driven by the optimization and expansion of retail channels and the increased expenses resulted from the acquisition of new ladieswear business.

## ADMINISTRATIVE EXPENSES

The administrative expenses of the Group, which were mainly comprised of salary and welfare, depreciation and bad and doubtful debts provision, rental and consultancy expenses amounted to approximately RMB301.1 million, representing an increase of 12.7% as compared to approximately RMB267.1 million for the corresponding period of last year. During the period under review, administrative expenses accounted for 10.2% of the Group's revenue, representing a decrease of 0.2 percentage points as compared to 10.4% for the corresponding period of last year.

## OPERATING PROFIT

For the six months ended September 30, 2017, the Group's operating profit decreased by 15.6% to RMB219.0 million. Operating profit margin for the period under review was 7.4%, representing a decrease of 2.7 percentage points as compared to 10.1% for the corresponding period of last year, such decrease was mainly due to an increase in demand for staff, rental and advertising and promotion expenses as a result of the expansion of non-down apparel businesses, as well as impairment loss on goodwill for menswear.

## FINANCE INCOME

During the period under review, the Group's finance income decreased by 32.5% to approximately RMB52.4 million from approximately RMB77.6 million for the corresponding period of last year, mainly due to the decrease of funds used for wealth management as some of the funds were applied to loan repayment by the Group.

## FINANCE COSTS

During the period under review, the Group's finance costs generally comprised interest for the loans borrowed from banks outside China. Following a decrease in financing amount, the Group's finance costs decreased by 76.9% to approximately RMB32.6 million.

## TAXATION

For the six months ended September 30, 2017, income tax expenses increased from RMB50.4 million to RMB55.9 million. The effective tax rate was approximately 23.4%, lower than the standard PRC income tax rate of 25%, which was mainly attributable to the combined effect of non-deductible expenses and tax losses of certain subsidiaries of Group not recognized as deferred tax assets.

## LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended September 30, 2017, the Group's net cash used in operating activities amounted to approximately RMB1,712.9 million, as compared to a net cash generation of approximately RMB1,109.2 million for the year ended March 31, 2017. Cash and cash equivalents as at September 30, 2017 amounted to approximately RMB1,980.8 million, as compared to approximately RMB2,835.0 million as at March 31, 2017.

The Group had available-for-sale financial assets, which comprised short-term investments with banks and available-for-sale securities, details please refer to note 14 in the financial statement.

As at September 30, 2017, the borrowings of the Group amounted to approximately RMB2,056.4 million (March 31, 2017: approximately RMB2,984.9 million), which were short-term borrowings due within one year. The gearing ratio (total debt/total equity) of the Group was 21.6% (March 31, 2017: 31.9%).

The Group anticipated that it will be able to arrange with its lenders to obtain fresh loans to replace the existing borrowings as they fall due, and the Group has sufficient cash and financial assets available for sale to meet its borrowing repayment requirements.

## CAPITAL COMMITMENTS

As at September 30, 2017, the Group had capital commitments amounting to approximately RMB24.9 million (March 31, 2017: approximately RMB13.8 million).

## OPERATING LEASE COMMITMENT

As at September 30, 2017, the Group had irrevocable operating lease commitments amounting to approximately RMB172.4 million (March 31, 2017: approximately RMB138.2 million).

## CONTINGENT LIABILITIES

As at September 30, 2017, the Group had no material contingent liabilities.

## NON-CURRENT ASSETS

As at September 30, 2017, the total non-current assets of the Group amounted to approximately RMB3,721.1 million (March 31, 2017: approximately RMB3,635.8 million). During the period under review, the Group completed the acquisition of ladieswear brands KOREANO and KLOVA, and there are no material changes.

## PLEDGE OF ASSETS

As at September 30, 2017, bank deposits amounting to approximately RMB531.1 million (March 31, 2017: approximately RMB1,441.4 million) had been pledged to secure the bills payable and letters of credit as collateral of the Group's bank loans and banking facilities.

## FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at its head office. The Group's treasury policies mainly include managing 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 Renminbi. 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, HK Dollars or pound sterling as their functional currency. Any significant exchange rate fluctuations of Hong Kong Dollars, US Dollars or pound sterling against each entity's respective functional currency may have a financial impact on the Group.

In face of currency market instability, the Group will make use of forward contracts and foreign exchange swaps to mitigate the exchange rate risk as and when appropriate.

**HUMAN RESOURCES**

As at September 30, 2017, the Group had 5,315 full-time employees (March 31, 2017: 4,246 full-time employees). Staff costs for the six months ended September 30, 2017 (including directors' remuneration in the form of salaries, other allowances and equity settled share-based transaction expenses) were approximately RMB363.5 million (six months ended September 30, 2016: approximately RMB292.5 million). During the period, the Group expanded retail channel and acquired new ladieswear business, driving a growth in demand for personnel. Accordingly, staff costs increased by approximately 24.3% as compared to that in the corresponding period of last year.

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 of the Group, the Group offered the staff dormitories with hotel-styled management service to those non-local university graduates, professional technicians and management staff who do not have a living place in Changshu 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 business of the Group, the Group also adopts a share award scheme (the "Share Award Scheme") and a share option scheme (the "Share Option Scheme").

On August 5, 2016 (the "Date of Grant"), the Company granted an aggregate of (a) 180,900,000 awarded shares and (b) 180,900,000 share options at the exercise price of HKD0.71 per share of the Company (the "Share Options", and each a "Share Option") to 4 executive Directors and 62 employees of the Company, (i) 40% of which shall be vested during the period commencing from first anniversary date from the Date of Grant and ending on the last trading date of the 24-month period from the Date of Grant; (ii) 30% of which shall be vested during the period commencing from first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading date of the 36-month period from the Date of Grant; and (iii) 30% of which shall be vested during the period commencing from first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading date of the 48-month period from the Date of Grant.

During the period, no option had been vested or exercised. As at September 30, 2017, 68,080,000 Awarded Shares had been vested under the Share Award Scheme.

**OUTLOOK**

Looking ahead to the second half of the year, intensifying market competition will continue to have an impact on the industry. The market and business environment remain challenging, quality and service are the main focus. The Group will continue to adopt a practical approach to enhance its competitiveness and operating efficiency so as to lay a foundation for the Group's substantial development in the future and further consolidate its leadership in China's apparel industry.

**Down apparel business:** The Group will continue its brand and product innovation through consistently introducing popular elements and products to inject endless momentum into the brand and maintain a youthful brand image. Meanwhile, the Group will strengthen management and application of retail data to enhance its operating efficiency, promote and achieve its retail transformation and further consolidate the leadership of down apparel business as the core business of the Group.

**OEM management business:** Our cooperation with ITOCHU Corporation in respect of a factory located in Vietnam is in smooth progress. The Group has completed preparatory work such as the pre-stage factory evaluation for orders placed to customers of Vietnam factory which is expected to commence normal production in early 2018. We believe that this will contribute to a steady expansion of OEM management business in the future.

**Non-down apparel business:** The Group's ladieswear business has been expanded through acquisitions and has gradually build up a high-end ladieswear platform. The Group believes that ladieswear can play a more significant synergistic effect at different business segments by optimizing efficiencies and saving resources to further enhance profit margin and lay a solid foundation for further developing ladieswear platform in the future. In addition, *Bosideng MAN* will make substantial adjustment in aspects such as products, brand positioning, store management and supply chain management to fundamentally improve its business.

**Diversified development:** The Group will proactively seek opportunities for business innovation and development. For main business, in addition to continuous optimization of brand image, the Group will further deepen Bosideng's rich brand assets through exploration of various kind of products. *Bosideng HOME* was successfully developed last year, which gave confidence to the Group to further extend the *Bosideng* brand to other areas. Furthermore, based on *Bosideng* brand's good reputation and considering the strong and everlasting demand for *Bosideng* down apparel for kids in the market, the Group plans to extend and develop kid's wear business under *Bosideng* down apparel into the "*Bosideng kid's wear*" brand while carrying out brand, image and product upgrades for kid's wear. On the basis of putting efforts in creating down apparel products for kids, the Group develops products of multiple categories for four seasons, and presents a better enhanced consumer experience with life-function and lifestyle shops, enhances interaction with consumers and develops it into a kid's wear brand at the forefront of the industry in the long run. Moreover, the Group will utilize its sufficient funds to keep identifying suitable apparel brands for acquisition so as to grow non-down apparel segment and build the Group into a multi-brand apparel operator.

## INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HKD1.5 cents (equivalent to approximately RMB1.3 cents) per ordinary share for the six months ended September 30, 2017. The proposed interim dividend is payable on or around January 15, 2018 to shareholders whose names appear on the register of members of the Company on January 2, 2018.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from December 28, 2017 to January 2, 2018, 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 January 15, 2018, 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 27, 2017.

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

During the six months ended September 30, 2017, 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 46,408,000 shares of the Company at an aggregate consideration of about HKD29.9 million.

## CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Directors are of the opinion that the Company had complied with the code provisions of the Corporate Governance Code (the "Code"), as set out in Appendix 14 to the Listing Rules for the six months ended September 30, 2017, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

Mr. Gao Dekang is the Chairman and CEO of the Company, as well as 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, 2017 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.

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

Hong Kong, November 28, 2017

*As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Ms. Huang Qiaolian, Mr. Mak Yun Kuen, Mr. Rui Jinsong and Mr. Gao Xiaodong; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie.*