

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

波司登 BOSIDENG

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, 2018

HIGHLIGHTS

- Revenue increased by 16.4% to approximately RMB3,444.2 million.
- Gross profit margin increased by 2.2 percentage points to 42.3%.
- Operating profit margin increased by 2.9 percentage points to 10.3%.
- Profit attributable to equity shareholders of the Company increased by 43.9% to approximately RMB251.2 million.
- The Board declared payment of an interim dividend of HKD2.0 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, 2018, together with the unaudited comparative figures for the corresponding period in 2017. 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, 2018 – unaudited

	<i>Note</i>	Six months ended September 30, 2018 RMB'000	Six months ended September 30, 2017 RMB'000 <i>(Note 18)</i>
Revenue	4	3,444,181	2,959,143
Cost of sales		<u>(1,988,776)</u>	<u>(1,771,222)</u>
Gross profit		1,455,405	1,187,921
Other income	5	23,429	21,735
Selling and distribution expenses		(790,174)	(667,631)
Administrative expenses		(333,697)	(301,065)
Impairment losses on intangible assets and goodwill		–	(20,000)
Other expenses	5	<u>(31)</u>	<u>(2,001)</u>
Profit from operations		354,932	218,959
Finance income		121,589	52,433
Finance costs		<u>(115,850)</u>	<u>(32,557)</u>
Net finance income	7	5,739	19,876
Profit before taxation		360,671	238,835
Income tax expense	8	<u>(102,237)</u>	<u>(55,915)</u>
Profit for the period		258,434	182,920

<i>Note</i>	Six months ended September 30, 2018 RMB'000	Six months ended September 30, 2017 RMB'000 (Note 18)
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<u>(49,874)</u>	–
	(49,874)	–
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	(60,496)	42,880
Other financial assets: net movement in fair value reserve (recycling)	(15,938)	–
Available-for-sale securities: net movement in fair value reserve (recycling)	<u>–</u>	<u>2,200</u>
	<u>(76,434)</u>	<u>45,080</u>
Other comprehensive income for the period (net of tax)	<u>(126,308)</u>	<u>45,080</u>
Total comprehensive income for the period	<u><u>132,126</u></u>	<u><u>228,000</u></u>

	<i>Note</i>	Six months ended September 30, 2018 RMB'000	Six months ended September 30, 2017 RMB'000 (Note 18)
Profit attributable to:			
Equity shareholders of the Company		251,164	174,506
Non-controlling interests		<u>7,270</u>	<u>8,414</u>
Profit for the period		<u>258,434</u>	<u>182,920</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		125,123	219,610
Non-controlling interests		<u>7,003</u>	<u>8,390</u>
Total comprehensive income for the period		<u>132,126</u>	<u>228,000</u>
Earnings per share	9		
– basic (RMB cents)		<u>2.38</u>	<u>1.65</u>
– diluted (RMB cents)		<u>2.36</u>	<u>1.65</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2018 – unaudited

	<i>Note</i>	At September 30, 2018 <i>RMB'000</i>	At March 31, 2018 <i>RMB'000</i> <i>(Note 18)</i>
Non-current assets			
Property, plant and equipment		783,867	885,308
Lease prepayments		52,690	54,096
Intangible assets and goodwill	10	1,869,986	1,896,716
Investment properties		293,491	179,167
Other financial assets	13	198,395	–
Deferred tax assets		510,117	469,320
		<u>3,708,546</u>	<u>3,484,607</u>
Current assets			
Inventories	11	1,848,208	1,454,840
Trade, bills and other receivables	12	3,324,064	1,474,427
Receivables due from related parties		271,964	200,734
Prepayment for materials and service suppliers		651,965	344,430
Available-for-sale financial assets	13	–	4,513,854
Other financial assets	13	2,394,395	–
Pledged bank deposits		849,114	904,608
Time deposits with maturity over 3 months		239,000	271,611
Cash and cash equivalents		1,284,941	1,794,051
		<u>10,863,651</u>	<u>10,958,555</u>
Current liabilities			
Current income tax liabilities		307,732	226,029
Derivative financial liabilities	15	6,980	–
Interest-bearing borrowings		2,388,785	2,338,429
Trade and other payables	14	2,249,986	1,769,135
Payables due to related parties		6,107	3,769
		<u>4,959,590</u>	<u>4,337,362</u>
Net current assets		<u>5,904,061</u>	<u>6,621,193</u>
Total assets less current liabilities		<u>9,612,607</u>	<u>10,105,800</u>

	<i>Note</i>	At September 30, 2018 <i>RMB'000</i>	At March 31, 2018 <i>RMB'000</i> <i>(Note 18)</i>
Non-current liabilities			
Deferred tax liabilities		161,637	217,638
Non-current other payables		10,363	105,394
		<u>172,000</u>	<u>323,032</u>
Net assets		<u>9,440,607</u>	<u>9,782,768</u>
Capital and reserves			
Share capital		803	803
Reserves		9,247,093	9,594,990
Equity attributable to equity shareholders of the Company		<u>9,247,896</u>	<u>9,595,793</u>
Non-controlling interests		<u>192,711</u>	<u>186,975</u>
Total equity		<u>9,440,607</u>	<u>9,782,768</u>

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 29, 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended March 31, 2018, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending March 31, 2019. Details of the 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 annual financial statements for the year ended March 31, 2018. 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, 2018 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 annual financial statements for the year ended March 31, 2018 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated June 28, 2018.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at April 1, 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognized for each line item in the condensed consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

	At March 31, 2018	Impact on initial application of IFRS 9 (Note 3(b))	Impact on initial application of IFRS 15 (Note 3(c))	At April 1, 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
– Other financial assets	–	244,171	–	244,171
Total non-current assets	–	244,171	–	244,171
Current assets				
– Other financial assets	–	4,269,683	–	4,269,683
– Available-for-sale financial assets	4,513,854	(4,513,854)	–	–
Total current assets	4,513,854	(244,171)	–	4,269,683
Trade and other payables				
– Contract liabilities	–	–	(176,736)	(176,736)
– Receipts in advance	(176,736)	–	176,736	–
Total current liabilities	(176,736)	–	–	(176,736)
Net current assets	<u>4,337,118</u>	<u>(244,171)</u>	<u>–</u>	<u>4,092,947</u>
Net assets	<u>4,337,118</u>	<u>–</u>	<u>–</u>	<u>4,337,118</u>

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) IFRS 9, Financial instruments

IFRS 9 replaces International Accounting Standard (“IAS”) 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at April 1, 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarizes the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at April 1, 2018.

	<i>RMB'000</i>
Retained earnings	
Transferred from fair value reserve relating to financial assets now measured at FVPL and decrease in retained earnings at April 1, 2018	(4,128)
Related tax	242
	<hr/>
Net decrease in retained earnings at April 1, 2018	(3,886)
	<hr/> <hr/>
Fair value reserve	
Transferred to retained earnings relating to financial assets now measured at FVPL and increase in fair value reserve at April 1, 2018	4,128
Related tax	(242)
	<hr/>
Net increase in fair value reserve at April 1, 2018	3,886
	<hr/> <hr/>

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognized in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

	<i>Note</i>	Original recognition under IAS 39	New classification under IFRS 9	Carrying amount at March 31, 2018 under IAS 39 RMB'000	Carrying amount at April 1, 2018 under IFRS 9 RMB'000
Financial assets					
– Short-term investments with banks	(i)	Available-for-sale financial assets	Amortized cost	2,860,022	2,860,022
– Short-term investments with banks	(ii)	Available-for-sale financial assets	FVPL	61,029	61,029
– Listed equity investments	(iii)	Available-for-sale financial assets	FVOCI (non-recycling)	244,171	244,171
– Listed equity investments	(iv)	Available-for-sale financial assets	FVPL	102,336	102,336
– Listed debt investments	(v)	Available-for-sale financial assets	FVOCI (recycling)	1,212,650	1,212,650
– Listed debt investments	(vi)	Available-for-sale financial assets	FVPL	33,646	33,646
Pledged bank deposits	(vii)	Held-to-maturity investments	Amortized cost	904,608	904,608
Time deposits with maturity over 3 months	(vii)	Held-to-maturity investments	Amortized cost	271,611	271,611
Cash and cash equivalents	(viii)	Loans and receivables	Amortized cost	1,794,051	1,794,051
Trade and other receivables	(viii)	Loans and receivables	Amortized cost	1,474,427	1,474,427
Total Financial assets				8,958,551	8,958,551

Notes:

- (i) Short-term investments with banks with guarantee of principal and interest were previously classified as available-for-sale financial assets and are now classified as financial assets measured at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows by payments of principal and interest on the principal amount outstanding.
- (ii) Short-term investments with banks with no guarantee of principal and interest were previously classified as available-for-sale financial assets and are now classified as financial assets measured at FVPL.
- (iii) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated as FVOCI by the Group. On April 1, 2018, the Group designated its 6.75% investment in V-GRASS Fashion Co., Limited (Shanghai Stock Exchange stock code: 603518) (“V-GRASS”) listed on the Shanghai Stock Exchange of RMB 244,171,000 as FVOCI (non-recycling), as the investment is held as a long-term investment instead of being traded for short-term gains.
- (iv) Under IAS 39, certain equity securities were designated as available-for-sale financial assets. The Group has the option to irrevocably designate as FVOCI (without recycling) on transition to IFRS 9. The Group does not plan to adopt this designation option for these equity securities investments held on April 1, 2018 and these assets have been classified as FVPL under IFRS 9.
- (v) The listed debt investments categorized as available-for-sale financial assets under IAS 39 are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling investments. The contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets measured at FVOCI (recycling) under IFRS 9.
- (vi) Perpetual bonds, categorized as available-for-sale financial assets under IAS 39 are held by the Group to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. As these listed debt investments failed to meet the criteria of solely payments of principal and interest, these assets have been classified as financial assets measured at FVPL under IFRS 9.
- (vii) Pledged bank deposits and time deposits with maturity over 3 months were previously classified as held-to-maturity investments and are now classified as financial assets measured at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows by payments of principal and interest on the principal amount outstanding.
- (viii) Cash and cash equivalents and trade and other receivables that were previously classified as loans and receivables are now classified as financial assets measured at amortized cost. The Group intends to hold the financial assets to maturity to collect contractual cash flows.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of IFRS 9.

(ii) Credit losses

IFRS 9 replaces the “incurred loss” model in IAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortized cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);
- debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including equity investments designated as FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof for fixed-rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade and other receivables, the Group has measured the loss allowance as an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For cash and cash equivalents and pledged deposits, the Group recognized a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group has concluded that there is no material impact for the initial application of the new impairment requirements.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has not recognized any additional ECLs at April 1, 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for the year ended March 31, 2018 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of IFRS 9 by the Group).

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group's business model is not complex and its contracts with customers for the sale of branded apparels include only single performance obligations. The Group has concluded that revenue from sales of branded apparels should be recognized at the point of time when a customer obtains control of goods. The Group has concluded that the initial application of IFRS 15 does not have a significant impact on the Group's revenue recognition.

Under IFRS 15, a contract liability, is recognized, when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, with amount of RMB176,736,000 are now separately presented under trade and other payables and adjustments have been made to the opening balance at April 1, 2018, as a result of the adoption of IFRS 15. Comparative information is not restated.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the condensed consolidated financial position and the consolidated financial result of the Group.

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. Certain operating segments have been aggregated to form the following reportable 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 menswear, underwear and casual wear.

(a) Segment results

	For the six months ended September 30, 2018				
	Down apparels <i>RMB'000</i>	OEM management <i>RMB'000</i>	Ladieswear apparels <i>RMB'000</i>	Diversified apparels <i>RMB'000</i>	Group <i>RMB'000</i>
Revenue from external customers	1,772,467	1,106,945	538,794	25,975	3,444,181
Inter-segment revenue	255	133	–	8,409	8,797
Reportable segment revenues	1,772,722	1,107,078	538,794	34,384	3,452,978
Reportable segment profit/(loss)	321,448	151,394	73,098	(101,400)	444,540
Amortization of intangible assets and lease prepayments	(35)	–	(27,766)	(335)	(28,136)
Impairment losses on intangible assets and goodwill	–	–	–	–	–

	For the six months ended September 30, 2017				
	Down apparels <i>RMB'000</i>	OEM management <i>RMB'000</i>	Ladieswear apparels <i>RMB'000</i>	Diversified apparels <i>RMB'000</i>	Group <i>RMB'000</i>
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)	133,188	94,538	81,303	(15,110)	293,919
Amortization of intangible assets and lease prepayments	(369)	—	(24,754)	(5,539)	(30,662)
Impairment losses on intangible assets and goodwill	—	—	—	(20,000)	(20,000)

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see note 3(c)).

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

	For the six months ended September 30	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue		
Reportable segment revenue	3,452,978	2,967,510
Elimination of inter-segment revenue	(8,797)	(8,367)
Consolidated revenue	3,444,181	2,959,143
Profit before income tax		
Reportable segment profit	444,540	293,919
Amortization expenses of intangible assets and lease prepayments	(28,136)	(30,662)
Government grants	23,429	17,324
Impairment losses of goodwill	—	(20,000)
Unallocated expenses	(84,901)	(41,622)
Finance income	121,589	52,433
Finance costs	(115,850)	(32,557)
Consolidated profit before taxation	360,671	238,835

5 OTHER INCOME/(EXPENSES)

	Six months ended September 30, 2018 RMB'000	Six months ended September 30, 2017 RMB'000
Royalty income (i)	–	4,411
Government grants (ii)	23,429	17,324
Other income	23,429	21,735
Other expense – Donations	(31)	(2,001)

- (i) Royalty income arises from the use by other entities of the Group's brands.
- (ii) The Group received unconditional discretionary grants amounting to RMB23,429,000 during the six months period ended September 30, 2018 (six months ended September 30, 2017: RMB17,324,000) 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, 2018 RMB'000	Six months ended September 30, 2017 RMB'000
Cost of inventories recognized as expenses included in cost of sales	1,988,776	1,771,222
Depreciation		
– Assets leased out under operating leases	3,200	3,000
– Other assets	56,390	53,589
Amortization of intangible assets and lease prepayment	28,136	30,662
Impairment loss of goodwill	–	20,000
Operating lease charges		
– Fixed rental charges	70,885	61,778
– Contingent rental charges	187,979	163,794
Provision for impairment of bad and doubtful debts	5,326	10,305

7 NET FINANCE INCOME

	Six months ended September 30, 2018 RMB'000	Six months ended September 30, 2017 RMB'000
Recognized in profit or loss:		
Interest income on bank deposits	10,168	9,411
Interest income on financial assets measured at amortized cost	64,717	–
Interest income on available-for-sale financial assets	–	37,980
Interest income on debt instruments classified as FVOCI (recycling)	23,364	–
Changes in fair value of other financial assets	3,523	600
	<hr/>	<hr/>
Total interest income on financial assets not at fair value through profit or loss	101,772	47,991
Change in fair value of forward exchange contracts	–	1,572
Net foreign exchange gain	19,817	2,870
	<hr/>	<hr/>
Finance income	121,589	52,433
	<hr/>	<hr/>
Interest on interest-bearing borrowings	(37,112)	(25,678)
Investment loss of debt instruments classified as FVOCI (recycling)	(66,449)	–
Bank charges	(5,309)	(6,879)
Net loss on forward exchange contracts	(6,980)	–
	<hr/>	<hr/>
Finance costs	(115,850)	(32,557)
	<hr/>	<hr/>
Net finance income recognized in profit or loss	5,739	19,876
	<hr/> <hr/>	<hr/> <hr/>

8 INCOME TAX EXPENSE

Income tax in profit or loss represents:

	Six months ended September 30, 2018 RMB'000	Six months ended September 30, 2017 RMB'000
Current tax expenses		
Provision for income tax	182,410	135,174
Deferred tax benefit		
Origination of temporary differences	(80,173)	(79,259)
	<hr/>	<hr/>
	102,237	55,915
	<hr/> <hr/>	<hr/> <hr/>

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

- (iii) 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, 2018, 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, and Jiangsu Bosideng Supply Chain Co., Ltd., an enterprise in the PRC, which provides services of purchase, production planning, order management, storage and logistics management, and client service to group companies, which was granted a preferential rate of 15% for high-tech enterprises for three years starting from 2016.

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 RMB251,164,000 (six months ended September 30, 2017: RMB174,506,000) and the weighted average number of ordinary shares of 10,560,092,000 (six months ended September 30, 2017: 10,565,742,000 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 RMB251,164,000 (six months ended September 30, 2017: RMB174,506,000) and the weighted average number of ordinary shares of 10,654,129,000 (six months ended September 30, 2017: 10,597,766,000), 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 <i>RMB'000</i>	Customer relationships <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At April 1, 2018	1,708,151	648,822	633,795	2,990,768
Additions	—	—	—	—
At September 30, 2018	1,708,151	648,822	633,795	2,990,768
Amortization and impairment loss:				
At April 1, 2018	(413,741)	(588,053)	(92,258)	(1,094,052)
Amortization charge for the period	—	(10,885)	(15,845)	(26,730)
At September 30, 2018	(413,741)	(598,938)	(108,103)	(1,120,782)
Net book value:				
At September 30, 2018	<u>1,294,410</u>	<u>49,884</u>	<u>525,692</u>	<u>1,869,986</u>
At March 31, 2018	<u>1,294,410</u>	<u>60,769</u>	<u>541,537</u>	<u>1,896,716</u>

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, 2018, based on the impairment assessment, no impairment loss of goodwill (six months ended September 30, 2017: RMB20,000,000) was recognized in the condensed consolidated statement of profit or loss and other comprehensive income.

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amount of goodwill allocated to each cash generating unit (CGU) is as follows:

	At September 30, 2018 <i>RMB'000</i>	At March 31, 2018 <i>RMB'000</i>
Gross value		
Menswear	292,741	292,741
Ladieswear – Jessie brand	484,312	484,312
Ladieswear – Buoubuou brand	525,137	525,137
Ladieswear – Tianjin Ladieswear	405,961	405,961
	<u>1,708,151</u>	<u>1,708,151</u>
Accumulated impairment losses		
Menswear	(292,741)	(292,741)
Ladieswear – Jessie brand	(121,000)	(121,000)
Ladieswear – Buoubuou brand	–	–
Ladieswear – Tianjin Ladieswear	–	–
	<u>(413,741)</u>	<u>(413,741)</u>
Net value		
Menswear	–	–
Ladieswear – Jessie brand	363,312	363,312
Ladieswear – Buoubuou brand	525,137	525,137
Ladieswear – Tianjin Ladieswear	405,961	405,961
	<u>1,294,410</u>	<u>1,294,410</u>

11 INVENTORIES

	At September 30, 2018 <i>RMB'000</i>	At March 31, 2018 <i>RMB'000</i>
Raw materials	599,346	332,835
Work in progress	23,642	17,621
Finished goods	1,225,220	1,104,384
	<u>1,848,208</u>	<u>1,454,840</u>

12 TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2018 RMB'000	At March 31, 2018 RMB'000
Trade receivables	2,468,841	981,722
Bills receivable	29,776	121,968
Less: Allowance for doubtful debts	(125,148)	(123,325)
	<u>2,373,469</u>	<u>980,365</u>
Third party other receivables:		
– VAT recoverable	180,479	68,357
– Deposits	429,268	205,677
– Advances to employees	59,410	43,812
– Receivables from companies controlled by the former controlling shareholder of Buoubuou International Holdings Ltd.	60,829	60,829
– Advances to a company controlled by the non-controlling shareholder of a subsidiary, Jessie International Holdings Ltd.	16,078	22,200
– Amounts due from brokers (i)	40,419	56,009
– Interest receivable in relation to securities investment	11,862	14,553
– Short-term deferred expenses	136,324	13,249
– Others	15,926	9,376
	<u>3,324,064</u>	<u>1,474,427</u>

- (i) Amounts due from brokers mainly represented the amount receivable for sale of other financial assets not yet settled by the brokers.

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

As at September 30, 2018, the Group endorsed certain bank acceptance bills totaling RMB51,564,000 (March 31, 2018: RMB153,254,000) to suppliers for settling trade payables of the same amount on a full recourse basis. Among these, the Group have derecognized RMB33,274,000 (March 31, 2018: RMB90,201,000) bills receivable and the payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group have transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group have limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

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 (or date of revenue recognition, if earlier) and net of impairment losses on bad and doubtful debts, is as follows:

	At September 30, 2018 RMB'000	At March 31, 2018 RMB'000
Within credit terms	2,181,284	822,378
1 to 3 months past due	114,839	136,616
Over 3 months but less than 6 months past due	49,309	20,949
Over 6 months but less than 12 months past due	25,753	388
Over 1 year past due	2,284	34
	<u>2,373,469</u>	<u>980,365</u>

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

13 OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALES FINANCIAL ASSETS

	<i>Note</i>	At September 30, 2018 RMB'000	At March 31, 2018 RMB'000
Non-current			
Equity securities designated as FVOCI (non-recycling)	<i>(b)</i>	177,672	–
Financial assets measured at amortized cost	<i>(d)</i>	20,723	–
		<u>198,395</u>	–
Current			
Financial assets measured at amortized cost	<i>(a)</i>	1,586,125	–
Debt instruments classified as FVOCI (recycling)	<i>(c)</i>	586,749	–
Financial assets classified as FVPL	<i>(d)</i>	221,521	–
		<u>2,394,395</u>	–
Available-for-sale financial assets			
– short-term investment with banks	<i>(a)</i>	–	2,921,051
– available-for-sale financial assets	<i>(b)/(c)/(d)</i>	–	1,592,803
		<u>2,592,790</u>	<u>4,513,854</u>

- (a) Financial assets measured at amortized cost are principal guaranteed short-term investments with banks in the PRC, which were previously classified as available-for-sale financial assets. These investments have expected but not guaranteed returns, ranging from 3.30% to 5.10% (March 31, 2018: 2.65% to 6.70%) per annum.

During the period, the interest income of investments with banks of RMB64,717,000 (six months period ended September 30, 2017: RMB4,813,000) was recognized in finance income.

- (b) On February 9, 2018, Shuo Ming De Investment Co., Ltd. (“**Shuo Ming De**”), a subsidiary of the Group, subscribed for 12,184,230 non-public issued shares of V-GRASS for an amount of RMB224,921,000. The shares cannot be transferred within 12 months from the date of the stock listing. The Group designated its investment in V-GRASS as FVOCI (non-recycling), as it is held as a long-term investment instead of being traded for short-term gains, which were previously classified as available-for-sale financial assets. No dividends were received on this investment during the six months period ended September 30, 2018.

During the period, the changes in fair value of these investments, after tax effect of RMB49,874,000 was recognized as a loss in the other comprehensive income.

- (c) 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 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 investment products with high liquidity and appreciation potential.

The Group classified debt instruments held by Bosideng Fund as FVOCI (recycling), which were previously classified as available-for-sale financial assets, as the investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling investments (note 3).

During the period, the interest income of these investments of RMB23,364,000 was recognized in finance income.

During the period, the changes in fair value of these investments of RMB15,938,000 was recognized as a loss in other comprehensive income.

The realized losses of these investments incurred during the period of RMB66,449,000 was recognized as a loss in finance expense.

- (d) Financial assets classified as FVPL represent listed equity investments held by Bosideng Fund and short-term investments with banks.

(i) Listed equity investments

The listed equity investments held by Bosideng Fund were classified as FVPL, as the Group plans not to elect option to irrevocably designate as FVOCI (without recycling) under IFRS 9 and these investments have been classified as FVPL.

During the period, the changes in fair value of these investments of RMB1,077,000 was recognized as a loss in finance income.

(ii) Short-term investments with banks

Short-term investments with banks with no guarantee of principal and interest were classified as FVPL. During the period, the changes in fair value of these investments of RMB2,446,000 was recognized in finance income.

14 TRADE AND OTHER PAYABLES

	At September 30, 2018 RMB'000	At March 31, 2018 RMB'000
Trade payables	956,695	522,540
Other payables and accrued expenses		
– Deposits from customers	168,252	176,584
– Receipts in advance	–	176,736
– Contract liabilities	286,638	–
– Construction payables	21,781	21,753
– Accrued advertising expenses	22,749	18,848
– Accrued payroll, welfare and bonus	176,847	268,815
– Cash-settled written put option (<i>note 15(a)</i>)	51,547	120,855
– VAT payable	195,459	125,245
– Dividends payable	5,000	5,000
– Current portion of dividends payable to the former controlling shareholder of a subsidiary, Buoubuou International Holdings Ltd.	130,137	52,055
– Dividends payable to the former controlling shareholder of the subsidiaries, Joy Smile and You Nuo	4,402	36,371
– Advances from a company controlled by the former controlling shareholder of Buoubuou International Holdings Ltd.	27,128	27,131
– Payables in relation to unvested restricted shares	22,167	13,994
– Payables in relation to completion of acquisition of Joy Smile	–	40,252
– Amounts due to brokers (<i>i</i>)	28,854	34,445
– Others	152,330	128,511
	<u>2,249,986</u>	<u>1,769,135</u>

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

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

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At September 30, 2018 RMB'000	At March 31, 2018 RMB'000
Within 1 month	825,672	391,704
1 to 3 months	131,023	130,836
	<u>956,695</u>	<u>522,540</u>

15 DERIVATIVE FINANCIAL LIABILITIES

(a) Written put option

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 September 30, 2018.

As at September 30, 2018, the present value of the redemption price of the cash settled portion of the written put option of RMB51,547,000 was recorded as a current payable (March 31, 2018: RMB120,855,000). The decrease of RMB69,308,000 during the year was recorded as an increase of other reserves.

As at September 30, 2018, the fair value of the share settled portion of the written put option was zero (March 31, 2018: nil), and no derivative financial liabilities with the fair value change was recognized in profit or loss (March 31, 2018: nil).

(b) Forward contracts

Derivative financial liabilities represent foreign currency forward contracts entered to mitigate the foreign currency risk, which were not designated as a hedging instrument under hedge accounting.

As at September 30, 2018, the fair value in a loss of outstanding forward contracts amounted to a loss of RMB6,980,000 (March 31, 2018: nil) was recorded as derivative financial liabilities.

16 DIVIDENDS

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

	Six months ended September 30, 2018 RMB’000	Six months ended September 30, 2017 RMB’000
Interim dividend declared and paid after the interim period of HKD2.0 cents per ordinary share (2017: interim dividend of HKD1.5 cents per ordinary share)	189,150	135,025

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, 2018 RMB'000	Six months ended September 30, 2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HKD3.5 cents per ordinary share (2017: final dividend of HKD0.5 cent per ordinary share)	326,667	44,728
Special dividend proposed after the end of the reporting period, approved and paid during the period, of HKD2.5 cents per ordinary share (2017: nil)	233,334	–
	<u>560,001</u>	<u>44,728</u>

Difference between the final dividends proposed and dividends paid was attributable to the exchange rate fluctuation of HKD against RMB.

17 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to September 30, 2018, the Company proposed an interim dividend of approximately RMB189,150,000 representing HKD2.0 cents (approximately RMB1.8 cents) per ordinary share to the equity shareholders of the Company.
- (b) On October 26, 2018, the board of directors of the Group has resolved to grant 260,000,000 share options to eligible persons who are directors, senior management or employees of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company. The exercise price is HKD1.07 per share. These share options are valid for ten years, commencing from October 26, 2018.

18 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

Recently, China's retail industry has been strengthening thanks to the new momentum driven by the core elements of new industries, new formats and new models. While the supply-side structural reform has been continuously advancing, the domestic trade flow and innovation reform are going deeper, and the consumer market has maintained steady and relatively fast growth. The country attaches great importance to improving the quality of life of the people as well as the development of the consumer goods industry including down products. A series of national strategies, including the production strategy of "increasing varieties, improving quality, creating brands" and consumer product standards and quality improvement planning, has brought unprecedented momentum to the upgrading of consumer goods industry and consumption. China's down industry actively implements the national strategy, thus promoting industrial transformation, consumption upgrade and high quality development.

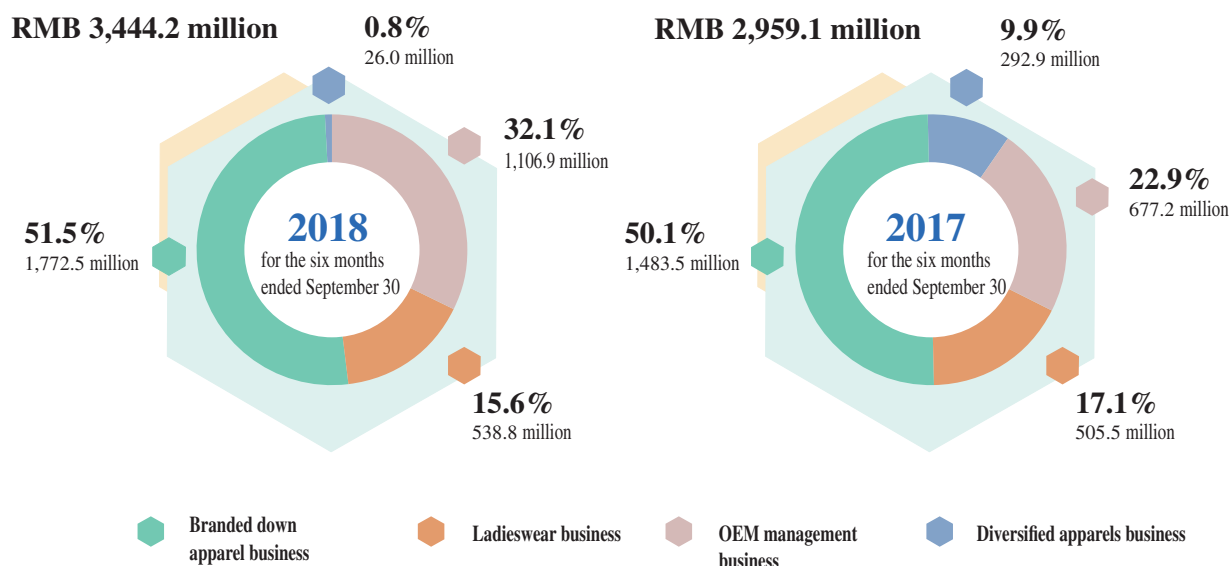
In the meantime, given the gradual transformation of the competition model and environment in the domestic retail consumer market, the Group has proactively responded to the changing trend of the industry as a whole, keeping abreast with the times, adhering to brand reshaping, channel optimization, product innovation and terminal boosting. The Group is fully committed to its strategic reform principle, maintaining stability and steady growth amid turbulence, and has achieved remarkable results in the past six months.

REVENUE ANALYSIS

During the period, the Group upheld its holistic strategic principle focusing on its principal business and key brands while implementing de-diversification to focus on its principal business and leveraged its strong brand to enhance the awareness of the Bosideng brand and the brand influence among consumers. This led to a steady increase in the sale of the branded down apparel and the Group's total revenue. During the six months ended September 30, 2018, revenue of the Group amounted to RMB3,444.2 million, representing an increase of approximately 16.4% as compared to that for the corresponding period of last year. The branded down apparel business remained the biggest revenue contributor of the Group, accounting for 51.5% of the total revenue. The OEM management business and ladieswear business accounted for 32.1% and 15.6% of the total revenue respectively. During the past six months, the diversified apparels business reduced significantly to 0.8% of the total revenue.

During the six months ended September 30, 2018, the branded down apparel business, OEM management business, ladieswear business and diversified apparels business amounted to approximately RMB1,772.5 million, RMB1,106.9 million, RMB538.8 million and RMB26.0 million, representing an increase of 19.5%, 63.5%, 6.6% and a decrease of 91.1% as compared to that for the corresponding period of last year, respectively.

REVENUE BY BUSINESS



Branded Down Apparel Business:

Focusing on our principal business and key brands has been a major strategic principle of the Group this year. During the previous six months, Bosideng brands, through improving brand power, product power and channel power, have been revitalized systematically, achieving good results by laying a foundation and saving energy for brand transformation and sales explosion in the peak season. From being the only candidate in the apparel industry selected for the national brand program, being officially invited to New York Fashion Week, to building advertisements, new media and a number of renowned IP cooperation opportunities, there were plenty of activities one after another to promote brand building and drive market enthusiasm. Bosideng brands have won wide recognition from consumers. Moreover, the Group still attaches great importance to the building and upgrading of channel terminals. During the past six months, it has optimized the channel structure, improved images of certain stores, adjusted the shelf display and optimized its sales staff structure, with a view to boosting the efficiency of terminal sales in the future. At the same time, compared with the same period of last year, the proportion of new products in the product mix has increased significantly in the first half of this year. And while the Group strictly controls the sales discounts for both new and old products, the brand new product series and collections have helped expand product mix, drive terminal sales and optimize gross profit margin. For the six months ended September 30, 2018, the Group's branded down apparel Bosideng brands recorded an increase of 24.1% in revenue to RMB1,557.1 million as compared to that for the corresponding period of last year. The revenue of the overall branded down apparel business segment increased by 19.5% to RMB1,772.5 million as compared to that for the corresponding period of last year.

Brand Building

The Group revitalizes the brand and enhances brand value through brand reshaping, brand building and brand promotion. It is hoped that stronger brand awareness among consumer groups would enhance the value and reputation of key Bosideng brands. During the past six months, the Group rationalized its brand strategy and positioning, responding to consumers' views and focusing on its core businesses; focusing on key Bosideng brands, launching a series of Bosideng-oriented brand building campaigns; rationalizing and arranging promotion as to brand public relations activities and integrated product marketing, communicating in an effective and integrated manner; focusing on and devoting resources to the Company's newly developed products and core products this year (Puff, Anti-Cold, Disney, Marvel, etc.) so as to allow consumers to experience the change in branding; strengthening the creation and promotion of brand and product themes by cooperating with more renowned IPs to create topics and arouse continuous interest of more consumers; persistently improving brand communication content and terminal presentation (lightbox, poster, POP, etc.) in areas of professionalism, quality, functionality and originality, while setting up a brand account on the Zhihu knowledge platform to enhance consumers' awareness on the brand expert through content management.

Centering around brand building, during the past six months, the Group has brought some visual sensations to consumers under different scenarios and intervals, which drew great response from the market. The main work is summarized as follows:

Introducing the integrated media approach with growing brand recognition

Through combining media usage including CCTV, CNR, Hunan Satellite TV, Focus Media, We Media on the Internet, the integrated media approach has started to take effect. Market feedbacks have indicated that Bosideng brands' recognition has rapidly enhanced. In particular, the interactive content of the Internet can effectively mobilize customers, enhance the awareness and preference of Bosideng brands in the consumer market, and better promote the brand's youthful, fashionable and functional positioning.

Bosideng being the only apparel brand selected for National Brand Program

At the press conference on being the only candidate in the apparel industry selected for the national brand program strategy held in Beijing Water Cube, the brand's new strategy, positioning and image were unveiled, representing the first milestone event of the 2018 brand reshaping. In the meantime, CCTV, being the mainstream media platform in China, has strong credibility, which makes the national brand program consistent with the mainstream value of the current social development.

Launching the new brand strategy with a thousand of Bosideng stores changing to new logo

On the day when Bosideng launched the new logo for the brand, more than a thousand stores nationwide simultaneously put on the new logo at the front door, arousing great interest from the industry peers and consumers. The brand new Bosideng logo is all in Chinese and sustains the design elements of the old logo with a current aesthetics touch. Bosideng's change of logo and upgrade of store image was one of the key moves of channel system upgrade. Looking ahead, Bosideng will also push ahead the expansion of mainstream channels that are in line with its brand positioning and gradually explore the transition of retail model that is more closely related to the market and consumers.

Bosideng debuting at New York Fashion Week as the "Down Apparel Expert" in the international arena

Being an independent brand officially invited to New York Fashion Week, Bosideng's fashion show mainly featured brand image reshaping with the chief purpose to improve consumers' inherent concept of the brand. Anne Hathaway, Jeremy Renner from Hawkeye and Wendi Deng Murdoch were invited to the show. Victoria's Secret model Alessandra Ambrosio was the opening model. The show has drawn global attention. In addition to heated discussions among the industry, media and consumers, positive feedbacks from consumers were received on the brand changes. The live-stream of the show on that day attracted over 1.2 million views globally.

Inventory Management

Thanks to the efforts over the past several years, the Group's inventory remained at a healthy level. The Group will continue to implement stringent production and product planning, while maintaining the demand-pull mechanism in certain sales regions to avoid unnecessary inventory accumulation. Through continuous enhancement of the assistance and linkage of various business segments, the Group has strengthened the real-time capture and analysis of terminal retail data, which enabled timely follow-up actions on the sales of different categories of goods; and has continuously adjusted and optimized the interactions between channels and terminals based on the data collected, with a view to constantly promoting retail management refinement and fundamentally improving the overall operational efficiency.

Order Management

During the past six months, the Group continued to completely separate order placements from direct sales and wholesale. Single-store orders are applied to self-operated stores, which means products for sales in single stores will match the demand for single-store orders and the stock will be replenished by the demand-pull mechanism in the sales and production of products with reference to the actual demand. Meanwhile, distributors will adopt different modes of order placement according to their sizes of operation. The system has maintained the optimal proportions of orders placed at self-operated stores and those placed with distributors, thus managing the orders properly.

Quality Quick Response System

The Group's supply chain, which is a quality quick-responsive system, is the core of sustaining its efficient, healthy and long-term development. Based on the strategy for the trade fair this year, the Group continued to conduct restocking during the peak season according to the data about the responses from the end consumers, and achieved a quality quick-responsive system by supplying goods in 15 days, thereby greatly strengthening the inventory optimization management of channels.

Logistics and Delivery

The Group's smart logistics and delivery center directly covers the whole country. It is not only responsible for warehousing, transportation and distribution, but also shoulders the smart management of some data centers where it accurately matches the demands of consumers and provides basis for decision-making on the goods operation, thus achieving the goal of "where the consumers are, where we are".

Riding on the concepts of nationwide inventory management and the integration and sharing of data across online and offline operations, a logistics management system is adopted to manage all the inventories. At the same time, a central distribution center and a regional logistics network structure have been established, including five regional warehouses in Eastern China, Northern China, Central China, Northwest China and Southwest China to satisfy demands of all the stores and O2O business throughout the country (except for Northeast China). Compared with the two-tier distribution channel adopted in the previous financial year where goods were delivered to the retail store warehouses from the warehouse head office according to orders and then delivered to the stores, a one-tier distribution channel has been adopted in the current financial year where goods are delivered directly from the Group's distribution center to the stores. Moreover, capitalizing on its own smart replenishment system to achieve demand-pull restocking in the stores, bestsellers will not go out of stock. Sales were improved as a result. Next year, the Group plans to add a warehouse in Northeast China so that all the retail store warehouses can be eliminated, achieving direct distribution of goods through all the stores nationwide. It is hoped that this would reduce inventory warehousing costs and enable more centralized management of buffer stock.

R&D of Products

Bosideng carries out its product R&D for the brands based on market trends and consumer needs. It never stops its product innovation and continuously launches new products as an expert of down apparel. During the period, the new products mainly included the following collections:

Puff collection: Being a new product launched during the period, the collection is made of fabrics 60% lighter than general fabrics and high fill power large-size goose down clusters with 90% down content to make it even lighter and warmer. The Puff collection has also incorporated internationally trendy elements. As a result, it was proven to be very popular among snappy dressers since its launch.

Designers' collection: During the period, Bosideng cooperated with many internationally renowned designers in launching crossover down apparel collections that feature trendsetting designs and functionality. At New York Fashion Week in September, Bosideng's show collections were sought after among many international superstars.

High-end outdoor collection: In 2017, Bosideng's Anti-Cold collection was well received upon its initial launch. It continued to launch the high-end outdoor collection during the period. The collection uses the world's topnotch fabrics, GORE-TEX®, also known as "fabrics of the century" and the choice of fabrics for outdoor gear, which is more waterproof, windproof and breathable, filled with 800 plus high fill power European high quality goose down clusters with 90% down content, thus achieving a super warm experience.

Renowned IP collection: During the period, Bosideng began to work with Marvel and launched the Marvel down apparel collection in an attempt to attract the Marvel fans and seek new consumers. This year, Bosideng also worked with Zhejiang Satellite TV on the highly-rated variety TV program, Running Man China, and launched a collection associated with the TV program, which was sought after among young consumers.

Multi-brand Strategies

The Group has focused on the development of key Bosideng brands by reshaping them as mid-to-high-end functional brands, while maintaining the strategy of “Down apparel plus” by leveraging its strengths in production, technology and distribution to continuously develop and position its down apparel business under its mid-end brand Snow Flying and high price-performance ratio brand Bengen, as part of its efforts in gaining market shares.

Snow Flying

During the period, the SPA (Specialty Store Retailer of Private Label Apparel) model was adopted to achieve a business scale of uniform height in the value chain where underperforming stores were shut down, quality stores were opened and quality customers were secured as part of the structural adjustment of channels. In the future, the brand will continue its amoeba operation by launching new retail projects in some terminal stores, with a view to accumulating customers’ data and improving customers’ experience, loyalty and values.

Bengen

During the period, through targeted positioning, the brand targeted at the customer group aged between 25 and 35 in the second-tier and third-tier cities, highlighting elements of “trendiness, quality and elegance” in its products. As to channel optimization, it has eliminated small sales points with low efficiency and poor image at remote locations and added more large-scale specialty stores with good image. Bengen, after this upgrade, will break the traditional pattern of single product category and develop towards a diversified and refined product mix through market segmentation and product breakthrough.

Revenue from branded down apparel business by brand

Brands	For the six months ended September 30, 2018		2017		Change
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
<i>Bosideng</i>	1,557.1	87.9%	1,254.3	84.6%	24.1%
<i>Snow Flying</i>	81.7	4.6%	69.5	4.7%	17.5%
<i>Bengen</i>	90.5	5.1%	93.2	6.2%	-2.9%
Other brands	2.6	0.1%	20.9	1.4%	-87.7%
Others	40.6	2.3%	45.6	3.1%	-10.8%
Total revenue from branded down apparel business	<u>1,772.5</u>	<u>100.0%</u>	<u>1,483.5</u>	<u>100.0%</u>	<u>19.5%</u>

Revenue from branded down apparel business by sale category

Brands	For the six months ended September 30, 2018		2017		Change
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
Self-operated	327.6	18.5%	336.3	22.7%	-2.6%
Wholesale	1,404.2	79.2%	1,101.6	74.2%	27.5%
Others*	40.7	2.3%	45.6	3.1%	-10.8%
Total revenue from branded down apparel business	<u>1,772.5</u>	<u>100.0%</u>	<u>1,483.5</u>	<u>100.0%</u>	<u>19.5%</u>

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

During the period, the strategic deployment of the Group's brand reshaping has enabled the upgrade of the brand system as well as the optimization of the sales channel structure. The Group's involvement in channels such as shopping malls and department stores has increased significantly, while the terminal efficiency has been greatly enhanced through a number of flexible measures including renovation of point of sales terminals, improvement in display of goods, optimization of quality of sales staff and shutting down underperforming stores. As at September 30, 2018, the total number of retail outlets of the Group's down apparel business (net) increased by 93 to 4,559 compared to March 31, 2018. During the period, self-operated retail outlets (net) increased by 146 to 1,569; and retail outlets operated by third party distributors (net) decreased by 53 to 2,990. The self-operated and third-party distributor-operated retail outlets as a percentage of the overall retail network were 34.4% and 65.6%, respectively.

Retail network breakdown by down apparel brand

As at September 30, 2018	<i>Bosideng</i>		<i>Snow Flying</i>		<i>Bengen</i>		Total	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
Specialty stores								
Operated by the Group	722	+170	25	+18	25	+19	772	+207
Operated by third party distributors	1,816	+73	177	+7	255	-148	2,248	-68
Subtotal	2,538	+243	202	+25	280	-129	3,020	+139
Concessionary retail outlets								
Operated by the Group	578	-68	196	+9	23	-2	797	-61
Operated by third party distributors	315	-81	64	-16	363	112	742	+15
Subtotal	893	-149	260	-7	386	110	1,539	-46
Total	3,431	+94	462	+18	666	-19	4,559	+93

Change: Compared with that as at March 31, 2018

Retail network of down apparel business breakdown by region

	As at September 30, 2018	As at March 31, 2018	Change
Eastern China	1,687	1,599	+88
Central China	1,040	1,007	+33
Northern China	383	368	+15
Northeast China	466	479	-13
Northwest China	526	542	-16
Southwest China	457	471	-14
Total	4,559	4,466	+93

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 amounted to approximately RMB1,106.9 million, representing 32.1% of the Group's revenue and increased by 63.5% as compared to that for the corresponding period of last year. The increase in the percentage of revenue from OEM management business during the first half of the year was due to the strategic adjustment made by the Group to the overall production plan, thus partially offsetting the impact of OEM orders for the second half of the year on the domestic orders during peak season. The percentage of revenue for the OEM management business from the top five customers accounted for approximately 89.1% of its total revenue.

The substantial increase in the revenue from OEM management business over that in the same period of last year was mainly due to the fact that the Group focused on core customers' needs and worked together with customers to develop some new product categories by capitalizing on the Group's technology strengths, which gradually increased the proportion of ODM business during the upgrade process from purely OEM to ODM business. This enhanced customers' loyalty and resulted in a significant increase in the actual total number of orders secured from existing customers as compared to that in the corresponding period in the last financial year. At the same time, the Group explored production resources selectively such as the plant in Vietnam. Coupled with the production management experience of being the expert of down apparel, it has strengthened the quality control and management of orders and production process, thus enhancing the competitiveness of the Group's OEM management business.

Ladieswear Business:

The Group's ladieswear business was further consolidated and developed. The synergies between various brands under the ladieswear business gradually yielded. During the period, revenue from the Group's ladieswear business was approximately RMB538.8 million, which represents a slight increase of 6.6% as compared to that for the corresponding period of last year. The contribution from the ladieswear business to the Group's revenue was 15.6%. The three major ladieswear brands of the Group, namely *JESSIE*, *KOREANO* and *KLOVA*, have maintained momentum of steady growth in sales. Revenue from the ladieswear brands during the period were as follows:

Revenue from ladieswear business by brand

Brands	For the six months ended September 30,				
	2018	% of		2017	
	RMB	ladieswear	RMB	% of	Change
	million	business	million	ladieswear	
		revenue		business	
				revenue	
<i>JESSIE</i>	192.1	35.7%	175.4	34.7%	9.6%
<i>BUOU BUOU</i>	160.7	29.8%	179.7	35.6%	-10.6%
<i>KOREANO</i>	82.0	15.2%	65.8	13.0%	24.5%
<i>KLOVA</i>	101.4	18.8%	84.6	16.7%	19.8%
Other brands	2.6	0.5%	—	—	N/A
Total revenue from ladieswear business	538.8	100.0%	505.5	100.0%	6.6%

Revenue from ladieswear business by sale category

	For the six months ended September 30, 2018		2017		Change
	RMB million	% of ladieswear business revenue	RMB million	% of ladieswear business revenue	
Self-operated	482.4	89.5%	431.9	85.4%	11.7%
Wholesale	56.4	10.5%	73.6	14.6%	-23.4%
Total revenue from ladieswear business	<u>538.8</u>	<u>100.0%</u>	<u>505.5</u>	<u>100.0%</u>	<u>6.6%</u>

FASHIONABLE LADIESWEAR – JESSIE

“Forever 20 with the heart from the very beginning”. The year 2018 marks the 20th anniversary of the ladieswear brand *JESSIE*. Riding on the opportunities arising from the 20th anniversary of the brand, *JESSIE* further stepped up the brand promotion efforts and enhanced the retail refined operation and management level. During the first half of the year, revenue from *JESSIE* ladieswear grew by 9.6% to RMB192.1 million. Among which, revenue from self-operated business increased by 25.0% to approximately RMB146.9 million and revenue from wholesale business decreased by 21.8% to approximately RMB45.2 million.

During the period, *JESSIE* ladieswear worked together with celebrities such as Frankie Han and Wang Yuan at Milan Fashion Week to launch the 2019 Spring/Summer collection. With the publicity from mainstream fashion media, the brand’s reputation and recognition were further enhanced. Focusing on product innovation and striving to enhance customer experience, *JESSIE* ladieswear launched the 20th anniversary thanksgiving themed marketing activities and rolled out an innovative series of VIP customer DIY marketing campaign to strengthen interaction between VIP customers and the brand as well as to boost customer loyalty. During the period, *JESSIE* ladieswear endeavored to develop key stores such as “high sales stores” (千萬店) and “high volume stores” (高產店) and relocated to department stores such as Changsha International Finance Square, promoting sales on the same level as many renowned affordable luxury brands, which effectively enhanced *JESSIE*’s brand influence and core competitiveness.

FASHIONABLE LADIESWEAR – BUOU BUOU

During the period, revenue from *BUOU BUOU* was approximately RMB160.7 million, representing a decrease of 10.6% as compared to that of last year. Effective measures of optimizing inventory mix and sales channels were the keywords of these six months. Revenue from self-operated business and wholesale business were approximately RMB149.5 million and RMB11.2 million, respectively. During the period, *BUOU BUOU* adopted the “addition” business model which has been gradually scaling up for online sales. The brand adopted online channel full coverage and expanded the online secondary agent business while increasing the efforts to develop online funding to expand product reach. At the same time, as to offline business, it was determined to close all stores with low efficiency and no strategic meaning. While shutting down underperforming stores, the brand also downsized its team. As a result, staff efficiency and single store profits improved.

FASHIONABLE LADIESWEAR – KOREANO and KLOVA

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. Both brands focus on self-operated business, without any wholesale business. During the period, both brands underwent upgrades of their store image and product quality, achieving small order quick response model for production and sales, thereby improving the internal management efficiency. During the six months ended September 30, 2018, self-operated revenues from *KOREANO* and *KLOVA* were RMB82.0 million and RMB101.4 million, respectively. As at September 30, 2018, *KOREANO* and *KLOVA* had 74 and 61 self-operated stores, respectively.

Retail network by ladieswear brand

As at September 30, 2018	<i>JESSIE</i>		<i>BUOU BUOU</i>		<i>KOREANO</i>		<i>KLOVA</i>		Others		Total	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
Specialty stores												
Operated by the Group	4	-	18	-1	-	-	-	-	-	-	22	-1
Operated by third party distributors	23	-	12	-1	-	-	-	-	-	-	35	-1
Subtotal	27	-	30	-2	-	-	-	-	-	-	57	-2
Concessionary retail outlets												
Operated by the Group	112	3	119	-1	74	17	61	-5	4	-2	370	12
Operated by third party distributors	70	3	34	-	-	-	-	-	-	-4	104	-1
Subtotal	182	6	153	-1	74	17	61	-5	4	-6	474	11
Total	209	6	183	-3	74	17	61	-5	4	-6	531	9

Change: Compared with that as at March 31, 2018

Retail network of ladieswear business by region

	As at September 30, 2018	As at March 31, 2018	Change
Eastern China	74	75	-1
Central China	157	153	+4
Northern China	53	56	-3
Northeast China	67	65	+2
Northwest China	112	109	+3
Southwest China	68	64	+4
Total	531	522	+9

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

Diversified apparels business

During the period, revenue from the Group's diversified apparels business was approximately RMB26.0 million, representing a significant decrease of 91.1% as compared to that for the corresponding period of last year, leading to a decrease in the revenue from diversified apparels business as a percentage of the Group's total revenue to 0.8%. The slowdown and decline in the diversified business were consistent with the Group's overall strategy of focusing on its principal business and key brands while implementing de-diversification. By scaling down the diversified business segment, the Group wants to focus on the future consumer market on down apparel and functional apparel products and make them more prominent, so as to increase the awareness of these types of products in the market and attain premium for its brand. During the period, the revenue distribution of each diversified apparels brand was as follows:

Revenue from diversified apparels business by brand

Brands	For the six months ended September 30, 2018		2017		Change
	RMB million	% of diversified apparels business revenue	RMB million	% of diversified apparels business revenue	
MAN	12.7	48.8%	75.9	25.9%	-83.3%
Bosideng HOME	2.0	7.8%	203.9	69.6%	-99.0%
Other brands and others	11.3	43.4%	13.1	4.5%	-13.7%
Total revenue from diversified apparels business	26.0	100.0%	292.9	100.0%	-91.1%

Revenue from diversified apparels business by sale category

	For the six months ended September 30, 2018		2017		Change
	RMB million	% of diversified apparels business revenue	RMB million	% of diversified apparels business revenue	
Self-operated	12.6	48.4%	22.3	7.6%	-43.7%
Wholesale	10.1	38.9%	269.0	91.9%	-96.2%
Others*	3.3	12.7%	1.6	0.5%	112.1%
Total revenue from diversified apparels business	26.0	100.0%	292.9	100.0%	-91.1%

* Represents rental income

Bosideng HOME

During the period, *Bosideng HOME* downsized its business comprehensively. Under the Group's new positioning strategy for *Bosideng* brands, the non-down apparel products under *Bosideng* brands will undergo comprehensive restructuring, which resulted in the significant reduction of this business division during the past six months.

Bosideng MAN

During the period, revenue from *Bosideng MAN* business decreased by 83.3% to approximately RMB12.7 million. The non-down apparel products under *Bosideng* brands will undergo comprehensive restructuring under the Group's new positioning strategy for *Bosideng* brands, by which the Group has also terminated the cooperation with existing distributors for *Bosideng MAN* brand.

School uniform business – Sameite (颯美特)

During the period, the Group's school uniform business remained in operation under *Sameite* brand. During the past six months, the school uniform business mainly covered the surrounding areas of Jiangsu, Zhejiang and Shanghai. As to channel building, both direct business mode (via bidding and tendering as well as direct participation of schools) and agent and intermediary mode of business (via formulating preferential agency policies in a targeted manner) were adopted. Customers of school uniform business were loyal, and the Group also attached great importance to exploring and maintaining relationship with these loyal customers by tracking their return orders and repeated orders. The Group's unremitting efforts provided loyal customers as well as new customers with safe, healthy, comfortable and stylish up-to-standard school uniforms.

Children's wear business

During the period under review, the Group established a joint venture with its children's wear team and began to select the best global brands of children's wear for cooperation in online business. The children's business segment has basically established a multi-brand, diversified business operation model with the children's wear business as the core and the children's product business as the auxiliary, with a view to becoming a leading operator in China as well as a specialist in children's wear in the global market. Currently, brands which the Group has entered into contracts with include Petit main from Japan, HAPPYLAND from Korea and Kappa Kids (as agent). Its business models mainly include:

Self-operated business: From trial operations of products and models through online channels, it gradually develops into offline stores to continue improving consumer experience, thereby achieving comprehensive and integrated channel development to create a strategic alliance with international children's wear brands and build multi-brand offline stores for children in the future.

Agent business: Based on the existing business, it gradually opens up the overseas agent market for stylish children brands and expands the variety of goods through the use of new media sales channels such as e-commerce platforms, public accounts and the music social media platform Douyin to trial the products in multi-dimensional manner before undergoing in-depth cooperation in China.

Retail network by diversified apparels brand

As at September 30, 2018	<i>Bosideng HOME</i>		<i>MAN</i>		<i>Children's wear (Petit main)</i>		<i>Total</i>	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
Specialty stores								
Operated by the Group	-	-21	32	-52	-	-	32	-73
Operated by third party distributors	-	-51	-	-88	-	-	-	-139
Subtotal	<u>-</u>	<u>-72</u>	<u>32</u>	<u>-140</u>	<u>-</u>	<u>-</u>	<u>32</u>	<u>-212</u>
Concessionary retail outlets								
Operated by the Group	-	-4	4	-43	-	-	4	-47
Operated by third party distributors	6	-13	-	-63	1	+1	7	-75
Subtotal	<u>6</u>	<u>-17</u>	<u>4</u>	<u>-106</u>	<u>1</u>	<u>+1</u>	<u>11</u>	<u>-122</u>
Total	<u>6</u>	<u>-89</u>	<u>36</u>	<u>-246</u>	<u>1</u>	<u>+1</u>	<u>43</u>	<u>-334</u>

Change: Compared with that as at March 31, 2018

Retail network of diversified apparels business by region

	As at September 30, 2018	As at March 31, 2018	Change
Eastern China	14	153	-139
Central China	-	85	-85
Northern China	1	21	-20
Northeast China	-	15	-15
Northwest China	-	46	-46
Southwest China	28	57	-29
Total	<u>43</u>	<u>377</u>	<u>-334</u>

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

ONLINE SALES

During the period, the Group continued to push ahead the expansion of the online sales of the down apparel and ladieswear business, while significantly downsizing the online diversified businesses under existing *Bosideng* brands including *MAN* and *Bosideng HOME*. As of September 30, 2018, revenue from online sales of the Group's brands amounted to RMB178.3 million, representing a decrease of 12.6% as compared to that for the corresponding period of last year. The change in revenue from online sales is in line with the Group's overall strategy of focusing on principal business while implementing de-diversification. Among which, revenue from the online sales of branded down apparel business and ladieswear business were RMB137.6 million and RMB33.4 million respectively, representing an increase of 73.4% and 21.8% as compared to those for the corresponding period of last year and accounting for 7.8% and 6.2% of the revenue from the branded down apparel business and ladieswear business, respectively.

During the period, *Bosideng* brands participated in a series of online and offline promotional activities including the Chinese brand of Tmall's overseas program and travel to Australia with Alibaba and live broadcast of Bosideng's down apparel catwalk at New York Fashion Week, which enhanced the brand's recognition worldwide. Looking forward, the Group will continue to step up its online marketing and sales. It will also start projects through cooperation with business partners with the aim of introducing more products which are exclusively offered online. The Company also endeavors to expand the sales proportion of the age group of 25-35, integrate brand resources centering around the branding events while creating a new business scenario to enhance the brand influence.

GROSS PROFIT

During the period, gross profit increased by 22.5% as compared with that of the corresponding period last year, from RMB1,187.9 million to RMB1,455.4 million. Following the successful brand reshaping and product expansion, gross profit margin increased by 2.2 percentage points as compared with that of the corresponding period last year, from 40.1% to 42.3%.

Gross profit margin of the branded down apparel business increased by 7.9 percentage points to 50.6%, mainly due to the Group's successful brand reshaping efforts during the past six months, and in particular an increase in average price of new products under Bosideng brands. At the same time, as the Group maintained a stable and good relationship with suppliers in the markets where raw materials are located, the pressure of the industry's overall raw material costs had relatively low impact on the Group in the first half of this year. Thanks to the successful brand reshaping and revitalization during the past period, the proportion of new products in the product mix of branded down apparel during the period significantly increased. The optimized product mix also contributed to the improvement of the gross profit margin of branded down apparel. The gross profit margin of OEM management business slightly declined to 17.7%, which was due to the pressure of workers' wages and other costs in China. The gross profit margin of ladieswear business increased by 3.3 percentage points to 76.1% as compared to that of the corresponding period of last year, which was mainly due to the increase in growth profit margin of Tianjin Ladieswear during the period, which was acquired last year with a higher gross profit margin. The gross profit margin of diversified apparels business decreased significantly to -185.0%, mainly because of the Group's adjustment of overall strategy in the first half of this year, which substantially reduced the diversified business. As the reduction of the diversified business continues, it will have less impact on the Group's overall gross profit in the future.

OPERATING PROFIT

During the period, the Group's operating profit significantly increased by 62.1% to approximately RMB354.9 million. Operating profit margin was 10.3%, representing an increase of 2.9 percentage points as compared to 7.4% of the corresponding period of last year, which was mainly attributable to the contribution from the branded down apparel business, OEM management business and ladieswear business.

DISTRIBUTION EXPENSES

During the period, the Group's distribution expenses, mainly comprising advertising and promotion expenses, concessionaire fees to department stores, fixed operating lease charges and personnel expenses, amounted to approximately RMB790.2 million, representing an increase of 18.4% as compared to approximately RMB667.6 million of the corresponding period of last year. The Group's distribution expenses accounted for 22.9% of its total revenue, representing an increase of 0.3 percentage point as compared to 22.6% of the corresponding period of last year. The increase in distribution expenses was mainly due to the Group's efforts in brand building and channel optimization for the branded down apparel business.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses during the period, mainly comprising salary and welfare, depreciation and consultancy expenses, amounted to approximately RMB333.7 million, representing an increase of 10.8% as compared to approximately RMB301.1 million of last year. The proportion of administrative expenses in the Group's total revenue decreased slightly by 0.5 percentage point from 10.2% last year to 9.7%. The increase in administrative expenses was mainly due to a moderate increase in consultancy expenses with the progress of the Group's strategic transformation during the period.

FINANCE INCOME

During the period under review, the Group's finance income increased to approximately RMB121.6 million, mainly due to the increase in the financing income and interest income held by the Group with the banks, the increase in net foreign exchange gain and the significant increase in the interest income generated from the listed debt investment portfolio with respect to the other financial assets held by the industry funds of the Group.

FINANCE COST

During the period under review, the Group's finance cost increased to approximately RMB115.9 million, mainly due to the increase in financing rates as a result of the Fed interest rate hike and the investment loss on listed equity and debt investments with respect to the available-for-sale financial assets held by the industry funds of the Group during the period. During the year, due to the Fed interest rate hike, Sino-US trade disputes and heightened risks in emerging markets, the available-for-sale financial assets held by the industry funds also incurred certain losses. The Group has, according to the actual situation, redeemed these investments in stages.

TAXATION

For the six months ended September 30, 2018, income tax expenses increased from approximately RMB55.9 million to approximately RMB102.2 million. The effective tax rate was approximately 28.3%, higher 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 and tax preferential rate enjoyed by the subsidiaries and withholding tax of dividends appropriated from China subsidiaries to overseas companies.

INTERIM DIVIDEND

The Board recommended the payment of an interim dividend of HKD2.0 cents (equivalent to approximately RMB1.8 cents) per ordinary share for the six months ended September 30, 2018. The proposed interim dividend will be paid on or around January 15, 2019 to shareholders whose names appear on the register of members of the Company on January 2, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended September 30, 2018, the Group's net cash used in operating activities amounted to approximately RMB1,890.3 million. For the year ended March 31, 2018, net cash generated was approximately RMB1,032.6 million. Cash and cash equivalents as at September 30, 2018 amounted to approximately RMB1,284.9 million, as compared to approximately RMB1,794.1 million as at March 31, 2018.

As at September 30, 2018, the distribution of cash and cash equivalents by currency unit is as follows:

	<i>RMB'000</i>
Renminbi	822.3
US dollar	200.6
Pound sterling	7.9
HK dollar	102.8
Japanese yen	134.8
European dollar	16.5
	<hr/>
Total	1,284.9
	<hr/> <hr/>

In order to maximize returns on the Group's available cash reserves, the Group has invested in other financial assets, including capital protected short-term investments with banks in China and available-for-sale securities. The expected but unguaranteed returns of the short-term investments with banks ranged from 3.30% to 5.10% per annum. The available-for-sale securities referred to trading stocks and bonds held by Bosideng Industry Investment Fund S.P. and Shuo Ming De Investment Co., Ltd.

As at September 30, 2018, the bank borrowings of the Group amounted to approximately RMB2,388.8 million (March 31, 2018: RMB2,388.4 million). The gearing ratio (total debt/total equity) of the Group was 25.3% (March 31, 2018: 23.9%)

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.

CONTINGENT LIABILITIES

As at September 30, 2018, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at September 30, 2018, the Group had outstanding capital commitments in respect of plant, property and equipment amounting to approximately RMB105.2 million (March 31, 2018: RMB11.8 million).

OPERATING LEASE COMMITMENT

As at September 30, 2018, the Group had irrevocable operating lease commitments amounting to approximately RMB172.4 million (March 31, 2018: approximately RMB147.1 million).

PLEDGE OF ASSETS

As at September 30, 2018, bank deposits amounting to approximately RMB849.1 million had been pledged to banks for the purpose of standby letter of credit, bank borrowings and bills payable and letter of credit financing (March 31, 2018: approximately RMB904.6 million).

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 adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was raised by cash generated from operating activities and bank borrowings. 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 were conducted mainly in China with revenues and expenses of the Group's subsidiaries denominated in Renminbi. Some of the Group's cash and bank deposits were denominated in Hong Kong Dollars or US Dollars. The Company and some of its overseas subsidiaries selected US Dollars as their functional currency. Any significant exchange rate fluctuation of Hong Kong Dollars, US Dollars, Japanese yen and Pound sterling or against each entity's respective functional currency may have a material impact on the Group.

In face of the 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 of September 30, 2018, the Group had 6,017 full-time employees (March 31, 2018: 5,340 full-time employees). The increase in number of employees of the Group of 677 as compared to March 31, 2018 was mainly due to the organic growth in headcounts as a result of the growth of core down apparel business and new store opening and the new employees from campus recruitment during the current year. Staff costs for the six months ended September 30, 2018 (including Directors' remuneration in the form of salaries, other allowances and equity settled share-based transaction expenses) were approximately RMB374.0 million (the corresponding period of the previous financial year: approximately RMB363.5 million).

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 staff dormitories with hotel-style management service to those non-local university graduates, professional technicians and management staff who did not have a living place in Changshu once they were employed by the Group.

Details of the movement in the share options granted under the share option schemes of the Company during the six months ended September 30, 2018 are set out below:

Number of category of participants	Options held at March 31, 2018	Options granted during the reporting period	Options exercised during the reporting period	Options cancelled during the reporting period	Options lapsed during the reporting period	Options held at September 30, 2018
Directors						
Mak Yun Kuen	11,200,000	-	-	-	-	11,200,000
Rui Jinsong	11,200,000	-	-	-	-	11,200,000
Huang Qiaolian	9,000,000	-	-	-	-	9,000,000
Others	221,800,000	-	-	2,400,000	5,100,000	214,300,000
Total	253,200,000	-	-	2,400,000	5,100,000	245,700,000^(note)

Note: During the six months ended September 30, 2018, an aggregate of 115,570,000 share options were vested. As at September 30, 2018, there was a total of 245,700,000 share options, of which an aggregate of 115,570,000 share options were vested.

During the six months ended September 30, 2018, an additional of 48,090,000 award shares were vested. As at September 30, 2018, there were a total of 246,300,000 award shares, of which an aggregate of 116,170,000 award shares were vested.

FUTURE OUTLOOK

According to the report published by Kantar Consumer Index, “Consumption Upgrading of Shoppers and Turnaround of Market Growth”, the consumer market in China has grown rapidly in recent years with growing consumer spending on mid- to high-end products. This is mainly due to the fact that these products can help consumers further improve their health or lifestyle. At the same time, consumers have higher demands on the quality of premium products and have higher disposable income, which increases their purchasing power. Over the past six years, the compound annual growth rate of disposable household income per capita has reached 8.2%. As the consumption upgrade continues to progress, consumers will have a higher brand awareness and the value of product mix will be more prominent. The Group considers that the strategy of brand reshaping, focusing on principal business and focusing on key brands that is currently being executed can closely relate to the future consumers’ consumption preference and market growth trends, thus generating synergistic effects.

Down Apparel Business: Looking ahead, while upholding the principle of “focusing on its principal business while implementing de-diversification” and positioning the brand as the “expert and best-seller of down apparel in the world”, the Group will endeavor to become a “mid- to high-end functional apparel group”.

As to brand building, the Group will continue to focus on brand positioning, strengthen brand public relations and marketing efforts to consolidate its expert position. As to product development, the Group will focus on enhancing originality in design and product quality. As to sales channel optimization, the Group will gradually increase the percentage of mainstream and high-end channels. As to terminal boosting, the Group will pay closer attention to the young members, enhance consumer experience and innovate retail operation model.

OEM Management Business: Rational planning and utilization of production capacity in off-peak seasons is the strategy the Group has consistently implemented for the OEM management business. Moving forward, the Group will continue to strengthen the communication with core customers while maintaining its long-term and stable strategic working relationship with them. The Group will also keep on optimizing the existing factory equipment, accelerating automation and intelligence reform, and increasing cooperation with overseas factories, including those in Southeast Asia so as to secure steady and fast growth for the OEM management business.

Fashionable Ladieswear Business: Currently, its ladieswear brands mainly include *JESSIE*, *BUOU BUOU*, *KOREANO* and *KLOVA*. After the strategic positioning over the past few years, the ladieswear business platform has taken shape. Looking ahead, the Group will continue to integrate the resources among four of its ladieswear brands to further improve synergy. The Group will continue to focus on improving efficiencies of its internal operation and management of its ladieswear business while boosting the organic growth of the ladieswear business through a series of measures to strengthen brand operation, enhance sales channels and increase sales efficiency.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from December 28, 2018 to January 2, 2019, 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, 2019, 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, 2018.

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

During the six months ended September 30, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company.

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, 2018, 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 three 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, 2018 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 29, 2018

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 and Dr. Ngai Wai Fung.