波司登國際控股有限公司
Bosideng International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3998)

ANNUAL RESULTS FOR THE YEAR ENDED MARCH 31, 2010

HIGHLIGHTS

- Revenue increased by 34.2% to approximately RMB5,738.1 million
- Gross profit margin increased by 4.8 percentage points to 50.3%
- Profit from operations increased by 77.3% to approximately RMB1,205.5 million
- Net profit attributable to equity holders of the Company increased by 44.2% to approximately RMB1,078.6 million
- Proposed a final dividend of RMB8.8 cents per ordinary share

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Bosideng International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended March 31, 2010, together with the comparative figures for the year ended March 31, 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2010

	Note	**For the year ended March 31, 2010** *RMB'000*	2009 *RMB'000*
Revenue	3	**5,738,121**	4,275,144
Cost of sales		**(2,851,484)**	(2,330,173)
Gross profit		**2,886,637**	1,944,971
Other income	4	**36,279**	17,352
Fair value changes on derivative financial instruments		**(25,811)**	34,217
Distribution expenses		**(1,343,387)**	(1,029,801)
Administrative expenses		**(235,803)**	(286,974)
Other expenses	4	**(112,394)**	—
Profit from operations		**1,205,521**	679,765
Finance income		**75,395**	105,615
Finance expenses		**(3,476)**	(9,310)
Net finance income	6	**71,919**	96,305
Profit before income tax		**1,277,440**	776,070
Income tax expense	7	**(198,895)**	(27,797)
Profit for the year		**1,078,545**	748,273
Other comprehensive income for the year:			
Exchange differences on translation of financial statements of foreign operations		**(2,140)**	(64,450)
Net change in fair value of available-for-sale financial assets		**48,509**	—
Income tax on other comprehensive income		**(5,727)**	—
Other comprehensive income for the year, net of tax		**40,642**	(64,450)
Total comprehensive income for the year		**1,119,187**	683,823

	Note	For the year ended March 31, 2010 RMB'000	2009 RMB'000
Profit attributable to:			
Equity holders of the Company		**1,078,550**	748,120
Non-controlling interests		**(5)**	153
Profit for the year		**1,078,545**	748,273
Total comprehensive income attributable to:			
Equity holders of the Company		**1,119,192**	683,670
Non-controlling interests		**(5)**	153
Total comprehensive income for the year		**1,119,187**	683,823
Earnings per share	9		
– basic (RMB cents)		**13.88**	9.51
– diluted (RMB cents)		**13.88**	9.51

CONSOLIDATED BALANCE SHEET

At March 31, 2010

	Note	At March 31, 2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**214,482**	42,481
Land use rights		**32,389**	—
Intangible assets		**525,912**	—
Long-term deposits		**65,000**	—
Deferred tax assets		**52,434**	43,088
		890,217	85,569
Current assets			
Inventories	10	**859,687**	856,787
Trade, bills and other receivables	11	**867,510**	721,622
Receivables due from related parties		**48,334**	22,992
Prepayments for materials and service suppliers		**228,063**	179,658
Derivative financial instruments		**—**	34,217
Held-to-maturity investments		**400,000**	570,000
Available-for-sale financial assets		**1,618,509**	—
Pledged bank deposits		**2,232**	32
Time deposits with maturity over 3 months		**339,676**	1,085,914
Cash and cash equivalents		**3,127,587**	3,812,919
		7,491,598	7,284,141
Current liabilities			
Current income tax payables		**147,667**	91,570
Trade and other payables	12	**1,204,898**	624,442
Payables due to related parties		**10,399**	7,904
		1,362,964	723,916
Net current assets		**6,128,634**	6,560,225
Total assets less current liabilities		**7,018,851**	6,645,794

	Note	At March 31, 2010 RMB'000	2009 RMB'000
Non-current liabilities			
Long-term payables		**65,000**	—
Deferred tax liabilities		**140,698**	50,000
		205,698	50,000
Net assets		**6,813,153**	6,595,794
EQUITY			
Share capital		**607**	607
Reserves		**6,812,551**	6,595,187
Equity attributable to equity holders of the Company		**6,813,158**	6,595,794
Non-controlling interests		**(5)**	—
Total equity		**6,813,153**	6,595,794

Notes:

1. REPORTING ENTITY

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

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

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Changes in accounting policies as a result of new IFRSs

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

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to IFRS 7, *Financial instruments: Disclosure-improving disclosures about financial instruments*
- Improvements to IFRSs (2008)
- Revised IAS 23, *Borrowing costs*
- Amendments to IFRS 2, *Share-based payment: vesting conditions and cancellations*
- Amendments to IAS 27, *Consolidated and separate financial statements-cost of an investment in a subsidiary, jointly controlled entity or associate*

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments had no material impact on the Group's financial statements.

The amendments to IAS 23 and IFRS 2 had no material impact on the Group's financial statements as the amendments are consistent with policies already adopted by the Group.

The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognized as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from April 1, 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognized in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognizing dividend income in profit or loss, the Company would recognize an impairment loss. In accordance with the transitional provisions in the amendments, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The impact of the remainder of these developments on these financial statements is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3).

- As a result of the adoption of IAS 1 (revised 2007), the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since these changes only impact presentation aspects, there is no impact on earnings per share.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by business lines (products and services). On first-time adoption of IFRS 8, Operating Segments, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments:

- Down apparels - The down apparels segment carries on the business of sourcing and distributing branded down apparels.
- OEM management - The OEM management segment carries on the business of sourcing and distributing OEM products.
- Menswear apparels - The menswear apparels segment carries on the business of sourcing and distributing branded menswear apparels (non-down).

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

(a) Segment results, assets and liabilities

Segment results

	For the year ended March 31, 2010			
	Down apparels *RMB'000*	**OEM management** *RMB'000*	**Menswear apparels** *RMB'000*	**Group** *RMB'000*
Revenue to external customers	**4,688,901**	**646,777**	**402,443**	**5,738,121**
Inter-segment revenue	**—**	**—**	**7,187**	**7,187**
Reportable segment revenues	**4,688,901**	**646,777**	**409,630**	**5,745,308**
Reportable segment profit from operations	**1,177,624**	**107,828**	**99,327**	**1,384,779**
Depreciation	**20,312**	**70**	**4,053**	**24,435**
Impairment losses of customer relationships	**—**	**—**	**100,000**	**100,000**

	For the year ended March 31, 2009			
	Down apparels	OEM management	Menswear apparels	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue to external customers	3,747,613	527,531	—	4,275,144
Inter-segment revenue	—	—	—	—
Reportable segment revenues	3,747,613	527,531	—	4,275,144
Reportable segment profit from operations	607,244	60,436	—	667,680
Depreciation	21,371	50	—	21,421

Assets and liabilities

	At March 31, 2010			
	Down apparels	**OEM management**	**Menswear apparels**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**6,927,235**	**223,947**	**1,077,754**	**8,228,936**
Additions to non-current segment assets during the year	**111,292**	**247**	**828,399**	**939,938**
Reportable segment liabilities	**(972,666)**	**(44,460)**	**(351,596)**	**(1,368,722)**

	At March 31, 2009			
	Down apparels	OEM management	Menswear apparels	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	6,168,664	94,844	—	6,263,508
Additions to non-current segment assets during the year	36,268	—	—	36,268
Reportable segment liabilities	(626,721)	—	—	(626,721)

(b) *Reconciliations of reportable segment revenues, profit before income tax, assets and liabilities*

	For the year ended March 31,	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenues	**5,745,308**	4,275,144
Elimination of inter-segment revenue	**(7,187)**	—
Consolidated revenue	**5,738,121**	4,275,144

	For the year ended March 31,	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax		
Reportable segment profit derived from the Group's external customers	**1,384,779**	667,680
Amortization expenses	**(19,643)**	—
Impairment losses of customer relationships	**(100,000)**	—
Government grants	**27,305**	9,088
Unallocated (expenses)/income	**(86,920)**	2,997
Finance income	**75,395**	105,615
Finance expenses	**(3,476)**	(9,310)
Consolidated profit before income tax	**1,277,440**	776,070

	At March 31,	
	2010	2009
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**8,228,936**	6,263,508
Elimination of inter-segment receivables	**(102,405)**	—
	8,126,531	6,263,508
Deferred tax assets	**52,434**	43,088
Unallocated head office and corporate assets	**202,850**	1,063,114
Consolidated total assets	**8,381,815**	7,369,710
Liabilities		
Reportable segment liabilities	**(1,368,722)**	(626,721)
Elimination of inter-segment payables	**102,405**	—
	(1,266,317)	(626,721)
Current tax liabilities	**(147,667)**	(91,570)
Deferred tax liabilities	**(140,698)**	(50,000)
Unallocated head office and corporate liabilities	**(13,980)**	(5,625)
Consolidated total liabilities	**(1,568,662)**	(773,916)

4. OTHER INCOME /(EXPENSES)

		For the year ended March 31,	
	Note	**2010**	2009
		RMB'000	RMB'000
Royalty income	(i)	**8,974**	8,264
Government grants	(ii)	**27,305**	9,088
Other income		**36,279**	17,352
Donations		**(12,394)**	—
Impairment losses of customer relationships	(iii)	**(100,000)**	—
Other expenses		**(112,394)**	—

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

(ii) The Group received unconditional discretionary grants amounting to RMB 27,305,000 for the year ended March 31, 2010 (2009: RMB 9,088,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

(iii) The impairment losses arose in relation to the customer relationships acquired on May 26, 2009. Actual cash inflows for the period from May 26, 2009 to March 31, 2010 from the distributors concerned and, consequently, the Group's updated forecast of future cash inflows from these distributors are significantly below the levels originally forecast by the Group at the Acquisition Date. Subsequent to the Acquisition Date, in addition to continuing to transact with Jiangsu Bosideng Garment Development Co., Ltd.'s existing distributors, the Group has focused on developing new sales channels and trading with new, larger distributors in order to increase the total revenue from the non-down branded menswear apparels business.

5. EXPENSES BY NATURE

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

	For the year ended March 31,	
	2010	2009
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses included in cost of sales	**2,864,967**	2,321,117
(Reversal)/write down of inventories to net realizable value	**(13,483)**	9,056
Depreciation	**24,435**	21,421
Amortization	**19,643**	—
Operating lease charges	**65,840**	28,797
Impairment losses for bad and doubtful debts	**47,900**	125,026
Auditors' remuneration	**7,100**	6,500

6. NET FINANCE INCOME

	For the year ended March 31, 2010 *RMB'000*	2009 *RMB'000*
Recognized in profit or loss:		
Interest income on held-to-maturity investments	**32,758**	41,269
Interest income on bank deposits	**42,637**	64,346
Finance income	**75,395**	105,615
Interest on interest-bearing borrowings	**—**	(4,316)
Bank charges	**(2,371)**	(3,494)
Net foreign exchange loss	**(1,105)**	(1,500)
Finance expenses	**(3,476)**	(9,310)
Net finance income recognized in profit or loss	**71,919**	96,305
Recognized in other comprehensive income:		
Exchange differences on translation of financial statements of foreign operations	**(2,140)**	(64,450)
Net change in fair value of available-for-sale financial assets	**48,509**	—
Income tax on finance income recognized in other comprehensive income	**(5,727)**	—
Net finance income recognized in other comprehensive income, net of tax	**40,642**	(64,450)

No interest was capitalized during the years.

7. INCOME TAX EXPENSE

(a) Income tax in profit or loss represents:

	For the year ended March 31,	
	2010	2009
	RMB'000	*RMB'000*
Current tax expenses		
Provision for PRC income tax	**209,564**	34,957
Deferred tax benefit		
Origination of temporary differences	**(10,669)**	(7,160)
	198,895	27,797

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

(ii) No tax provision has been made for International Company Bosideng Ltd., a subsidiary of the Group incorporated in Russia, as it does not have assessable profits subject to any Russian income tax during the year.

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

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

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

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

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

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	For the year ended March 31, 2010 RMB'000	2009 RMB'000
Profit before income tax	**1,277,440**	776,070
Income tax at the applicable PRC income tax rate of 25%	**319,360**	194,018
Tax losses not recognized as deferred tax assets	**17,457**	27,215
Non-deductible expenses	**20,192**	23,387
Effect of tax concessions of PRC operations	**(186,668)**	(230,936)
Tax effect on undistributed profits of PRC subsidiaries	**30,000**	17,000
Others	**(1,446)**	(2,887)
Income tax expense	**198,895**	27,797

8. DIVIDENDS

(i) Dividends payable to equity holders of the Company attributable to the year:

	For the year ended March 31, 2010 RMB'000	2009 RMB'000
Interim dividend declared and paid of RMB 3.8 cents per ordinary share (2009: special dividend of RMB 3.8 cents per ordinary share)	**295,349**	294,674
Final dividend proposed after balance sheet date of RMB 8.8 cents per ordinary share (2009: RMB 8 cents per ordinary share)	**683,967**	621,788
	979,316	916,462

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

(ii) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year.

	For the year ended March 31,	
	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 8 cents per share (2009: final dividend of RMB 6 cents and special dividend of RMB 2.8 cents per share)	**621,788**	698,421

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended March 31, 2010 was based on the profit attributable to equity holders of the Company for the year of RMB 1,078,550,000 (2009: RMB 748,120,000) and the weighted average number of shares in issue during the year ended March 31, 2010 of 7,772,350,000 (2009: 7,867,383,000).

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

	For the year ended March 31,	
EARNINGS	**2010**	2009
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to equity holders of the Company	**1,078,550**	748,120

	For the year ended March 31,	
NUMBER OF SHARES (THOUSAND)	**2010**	2009
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,772,350**	7,867,383
Basic and diluted earnings per share (RMB cents)	**13.88**	9.51

10. INVENTORIES

	At March 31,	
	2010	2009
	RMB'000	*RMB'000*
Raw materials	**59,869**	29,980
Work in progress	**6,243**	3,980
Finished goods	**793,575**	822,827
	859,687	856,787

At March 31, 2010, inventories carried at net realizable value amounted to approximately RMB 359,212,000 (2009: RMB 509,180,000).

11. TRADE, BILLS AND OTHER RECEIVABLES

	The Group		The Company	
	At March 31,		At March 31,	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**609,015**	508,367	**—**	—
Bills receivables	**51,656**	64,479	**—**	—
	660,671	572,846	**—**	—
Third party other receivables:				
• VAT recoverable	**55,562**	119,639	**—**	—
• Deposits	**63,272**	7,722	**10**	5
• Advances to employees	**5,708**	10,061	**—**	—
• Deposit within an escrow account	**65,000**	—	**—**	—
• Others	**17,297**	11,354	**451**	295
	867,510	721,622	**461**	300

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

The Group normally allows a credit period ranging from 30 days to 90 days from the date of billing to its customers.

At March 31, 2010, trade and bills receivables of approximately RMB 32,910,000 (2009: RMB 100,435,000) were past due but considered to be not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade and bills receivables (net of impairment losses on bad and doubtful debts) is as follows:

	The Group		**The Company**	
	At March 31,		**At March 31,**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within credit terms	**627,761**	472,411	**—**	—
1 to 3 months past due	**32,685**	58,789	**—**	—
Over 3 months but less than 6 months past due	**225**	12,192	**—**	—
Over 6 months but less than 12 months past due	**—**	26,538	**—**	—
Over 1 year	**—**	2,916	**—**	—
	660,671	572,846	**—**	—

Movements in the provision for impairment losses for trade and bills receivables are as follows:

	The Group		**The Company**	
	For the year ended March 31,		**For the year ended March 31,**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At the beginning of the year	**181,565**	56,539	**—**	—
Add: provision for impairment of receivables	**47,900**	125,026	**—**	—
write off	**(38,900)**	—	**—**	—
At the end of the year	**190,565**	181,565	**—**	—

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the carrying amount of trade and bills receivables disclosed above.

12. TRADE AND OTHER PAYABLES

	The Group		**The Company**	
	At March 31,		**At March 31,**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**438,034**	297,524	**—**	—
Other payables and accrued expenses				
• Deposits from customers	**423,938**	171,739	**—**	—
• Accrued rebates and commissions	**99,378**	52,740	**—**	—
• Accrued advertising expenses	**55,929**	28,965	**—**	—
• Accrued payroll and welfare	**73,353**	40,945	**1,188**	1,408
• Contingent consideration payables	**65,000**	—	**—**	—
• Dividends payable	**5,000**	—	**—**	—
• Others	**44,266**	32,529	**—**	—
	1,204,898	624,442	**1,188**	1,408

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

An ageing analysis of trade payables is set out below:

	The Group		**The Company**	
	At March 31,		**At March 31,**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due within 1 month or on demand	**183,862**	142,681	**—**	—
Due after 1 month but within 3 months	**254,172**	154,843	**—**	—
	438,034	297,524	**—**	—

13. POST-BALANCE SHEET EVENTS

Subsequent to March 31, 2010, the Company proposed a final dividend of RMB 683,967,000 representing RMB 8.8 cents per share to the equity holders of the Company. Further details are disclosed in note 8.

14. COMPARATIVE FIGURES

As a result of application of IAS 1 (revised 2007), *Presentation of financial assets*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the time in the year ended March 31, 2010. Further details of these developments are disclosed in note 2(b).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

After the economic woes resulted from the global economic crisis and cyclical downturn of the domestic economy, the general economic condition of the PRC has been recovering recently and various economic indicators have bottomed out with steady growth. The apparel industry of the PRC saw a steady and healthy development and major players in the industry further consolidated resources and slightly increased production. The overall efficiency of the industry has shown signs of improvement.

The winter of 2009/2010 set in earlier than usual and many areas of China were hit by snow and cold weather since the beginning of November in 2009 till March 2010. The cold weather boosted the overall sales performance of the down apparel industry. In addition, unit prices and quality of products keeps improving and the product designs are more fashionable and diversified. Emerging and old brands of the down apparel coexist in the market with more detailed segmentation. However, famous brands remain the leaders in industrial development, which fully reflect consumers' trust and recognition to brand value.

Business Review

Market leadership and satisfactory performance in the down apparel business

During the reporting period, the operation and development of enterprises were under challenges and difficulties in the face of the prolonged international market downturn despite the bottom-out of the domestic market. The Group was well-prepared to cope with different market changes by adjusting its branding and marketing strategies as well as the production plans. During off-peak seasons, the Group implemented the "off-season strategic sales plan" by providing discounts and promotions to sell stock of the previous fiscal year. In peak seasons, the Group adopted effective order management and production plans and achieved satisfactory results. By leveraging on its brand advantages, retail and distribution networks and leading design capabilities, the Group grasped the opportunities brought by the early coming winter and longer sales season of down apparel for the year 2009/2010 and offered products with high quality and quantity in time to satisfy the rapid increasing market demand. As a result, the Group recorded satisfactory sales results.

According to statistics released by China Industrial Information Issuing Center ("CIIIC"), and National Bureau of Statistics of China, "Bosideng" has ranked as the top brand in the local down apparel industry in terms of sales for 15 consecutive years since 1995. Based on the report issued by CIIIC, the total market share of the Group's brands, including "Bosideng", "Snow Flying", "Kangbo" and "Bingjie", in 2009 was 38.0%. All of the above brands ranked among top ten in terms of sales. Among them, "Bosideng" and "Snow Flying" remained the largest and the second largest brands, which respectively accounted for 24.9% and 7.6% of market shares, while "Bingjie" and "Kangbo" were ranked seventh and eighth with market shares of 2.9% and 2.6% respectively.

During the period, the development of "Bingjie" has outstanding results with significant growth in sales and market share and gained widespread market recognition. The encouraging performance of "Bingjie" reflected the success of the repositioning and independent management of "Bingjie" in the past two years, which was also in line with the expectation of the Group.

Steady development and promising prospects of non-down apparel business

In order to diversify beyond its product portfolio of seasonal apparel products, reduce risks of operation, explore new source of profit growth and enhance profitability of the Company, the Group has adopted a strategy to develop non-seasonal apparel product and expand its brand and product portfolio by acquiring and merging with non-down apparel brands with high development potential and good reputation when attractive opportunities arise.

As the first step of the transformation of the "Bosideng" brand from offering seasonal apparel products to non-seasonal apparel products, the Group expanded into the menswear business by acquiring Jiangsu Bosideng Garment Development Co., Ltd. (previously known as Jiangsu Kangbo Clothing Co., Ltd.) (the "Menswear Company") for a maximum aggregate cash consideration of up to RMB650,000,000 in May 2009. Please refer to the Company's announcements dated May 15, 2009 and May 26, 2009 for further details of the acquisition of the Menswear Company.

With the support of "Bosideng" brand and the Group, the Menswear Company has made satisfactory progress and preliminary achievement in the development and design, sales and marketing and brand promotion of the brand "Bosideng Menswear". "Bosideng Menswear" brand was named as the "Best Brand with Highest Growth" in 2009（2009年度品牌成長大獎）and honoured with the "Best Innovation Award 2009"（2009年度最佳創意大獎） in the joint election campaign of China Business Association and China National Commercial Information Center, showing that the "Bosideng Menswear" brand was widely recognized by the market. Aside from brand promotion, the Group also put efforts in developing the sales network of Bosideng's menswear to support its business growth. The strong performance of the Bosideng's menswear brand was consistent with the expectation of our management since the acquisition.

During the period, the Group continued the preparation work of "Rocawear" brand as scheduled with satisfactory progress. In addition, the Group launched the new metropolitan fashion brand "BOSIDENG VOGUE" in March 2010. As a first-class trendy brand, its operation will be independent and separated from down apparel team. The "BOSIDENG VOGUE" franchised store in Changshu has been opened recently.

Successful product launch shows leading fashion trends

On July 15, 2009, the Group held the "Up to the Summit(騰龍登峰)", "Bosideng Menswear" 2009 Autumn/Winter Beijing product launch show and "Rock the Nest(炫動鳥巢)" ceremony for the appointment of pop star Leehom Wang as the brand ambassador of "Bosideng Menswear" in the Beijing "Bird's Nest" stadium. It was the first China brand apparel show held at the stadium. Leehom Wang, together with international top models, presented four major collections launched in autumn and winter in 2009, including "Smart Business Wear(精緻商務)", "Easy Office Wear(簡約辦公)", "Cool Causal(Cool休閒)" and "Urban Sports(都市運動)". These collections accentuate the characteristics of modern men, such as intellect, knowledgeability, stylishness and stamina, from different perspectives and represent the slogan for "Bosideng Menswear": "Quality of Life, Great minds think alike(品位生活，英雄所見)".

On September 12, 2009, a product launch show for 2009/2010 entitled "Lijiang, the Dream-like and Stylish Paradise(夢縈淨土•時尚麗江)" was held by the Group at the foot of Jade Dragon Snow Mountain, which is 5,596 meters above sea level and is situated at Lijiang, Yunan Province, a landmark of world heritage. The theme of this product launch show was "Change" which aimed at changing consumer's concept of wearing down apparel. Four new series, namely classic, vogue, stylish and casual down apparel, presented consumers with a brand new and trendy way of dressing to experience the fashionable fascination of down apparel in 2009. The design concept of 2009 was as a result of the financial crisis which advocates a simple and sober lifestyle. On this basis, three main themes, namely "Travel in the Sky(天際之旅), The Silent Station(靜驛站台) and Happiness in the Wonderland(情歡樂園)", were introduced in the product launch show to display a simple, casual and natural style of dressing. The themes are embodied in natural colouring, sophisticated artistry, comfortable mix and match and the design of individuality. To further accentuate the themes, mysterious purple silver, violet red and liquorices yellow are used with dimensional and neutral cutting. All of the above elements are blended in interplay of cosmopolitan, natural, simple and cyber designs. Thousands of celebrities, media and distributors all over the country participated in this ceremony which was the first apparel launch show held on a plateau.

On September 16, 2009, the grand opening of a product launch show for "Bosideng Menswear" 2010 Spring/Summer was held in International Expo Center in Changshu, and gathered more than 1,000 elites of "Bosideng Menswear" across the country. The opening represented the prelude to the new season of menswear with the theme "Quality (品位)". Bosideng's menswear 2010 Spring/Summer product series featuring trendiness, quality, comfort and causality are fully refined and enhanced with trendy design, fit cutting, high-quality fashion fabric, harmonious and colourful mix and match, advanced technology and excellent and reliable quality. In the product launch show, elite models displayed different series of "Bosideng Menswear", conveying the concept of "Quality of Life(品位生活)" which advocates a dressing culture of different styles at different occasions.

On March 28, 2010, the Group held the 2010/2011 Chinese Autumn/Winter cold-resistant clothing trend release conference with the theme of "Boundary & Edge(界緣)" in 2010 China International Clothing & Accessories Fair, an annual event for major manufacturers in the industry to present the latest clothing trends and design concepts. The theme of the fashion trend this year was inspired by the Yardang Landform in Xinjiang, a masterpiece of the Wind God. The indigo sky, gray-green sand land and miraculous soil mountains carved by wind for aeon alike trees, bamboos, quiet streets, imposing castles and majestic fleets filling with the colours of gray gold, yellowish brown, light brown and pale pink unveil the mysterious appearances of this natural masterpiece and inspire the imaginations of earthling. The conference was hosted by Jessey Meng, an all-round talented female star. The launch of more than a hundred series of Bosideng cold-resistant clothing presented by local top models rocked the world and it was praised as one of the most marvelous fashion shows in recent years, being the vanguard of trend and imagination. The Group, on behalf of China's cold-resistant apparel industry, was the only one to unveil to the world the latest fashion trend for 14 consecutive years, thereby further consolidating its leading position in China's cold-resistant apparel industry with its advantageous position in the market and strong design expertise.

Accurate specialized market positioning and effective multi-brand strategy

In the face of increasing emphasis on fashionable design and more specialized product categorization in the apparel industry, the Group has been insisting to the implementation and reinforcement of its multi-brand strategy for all these years. During the reporting period, the Group has cooperated with external professional consultancy and further defined the different styles and market positioning of various brands under the Group by conducting market research, assessments and analysis, ensuring the coordination and effective development of all brands.

Down apparel: The Group's core brand, "Bosideng", is positioned as a leading high end brand in the PRC down apparel market, with product types and styles emphasizing stylish, quality, casual and classical characteristics. Target customers are consumers with higher consuming power and wooing trendy and vogue design. The Group's second leading brand, "Snow Flying", is positioned as a major brand for casual, sports and down apparel and targets customers who are full of vigor of life and passion. The Group's "Kangbo" and "Bingjie" brands target the general low and medium end public. "Bingjie" is positioned as a trendy brand with characteristics of young, vogue, energetic and nice. Its target customers are youngsters who born in 1980s and 1990s and it comprises principally lady's wear. "Kangbo" mainly provides basic styles and comprises principally menswear.

Non-down apparel: Positioned as a brand showing "Quality of life", target customers of "Bosideng Menswear" are men in the age of 28 to 45. A large proportion of the product types covering casual wear and business casual wear, and a small proportion are formal suits, offering various choices of wearing for men in different occasions. "Rocawear" is a trendy street brand came from the United States, targeting young fans of hip-hop fashion in the age of 18 to 28. Product types comprise menswear, lady's wear and accessories with trendy, cool, cheerful, relax and natural styles. "BOSIDENG VOGUE" is designed as metropolitan vogue style and targets white collars and certain middle class aged 20 to 40. The basic characteristics of this brand are stylish and casual, illustrating the attitudes of city people who love life, work hard and have strong personality.

Dedicating in innovative research and development to meet market demands

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

As an enterprise unveiling to the world the trends in winter cold-resistant clothing on behalf of China for 14 consecutive years, the Group's product designs have provided an absolute trend direction for winter cold-resistant clothing in the PRC every year. The introduction of design concepts incorporating stylish, casual and sports elements in the down apparel industry to deliver a new concept of "light, thin, elegant" for down apparel, the launch of environmentally friendly and ecological anti-bacterial down apparel integrating environmental protection and trendiness, and the launch of anti-bacterial down apparel with water-proof, oil-proof, stain-proof, antibacterial, fungus-resistant, odourless and self-cleaning characteristics through the application of international advanced "nano technology" in down apparel are testament to the repeated innovations of the Group which have led to significant progress and have also driven the upgrading of the entire down apparel industry within China.

For non-down apparel business, "Bosideng Menswear" has cooperated with the European design team and launched various product lines such as casual wear, business casual wear and formal suits to provide different clothing solutions for target customers. "BOSIDENG VOGUE" has invited famous fashion consultancy in France to carry out a restructuring of its product mix. It has abandoned the traditional product mix which based mainly on design and accompanied by suggestions from merchandisers.

Effectively implementing marketing strategies with various promotion methods

Targeting different styles and market positioning of all brands, the Group has adopted various flexible methods in promoting the brands. Various remarkable slogans in commercials and propaganda including "A beautiful world because of you(世界因你而美麗)", "I can fly high(我要飛得更高)", "warm and breathable, thin and cool(暖的透氣薄的有型)", "Good quality worth(品質好才是真實惠)" and "Quality of Life, Great minds think alike(品位生活,英雄所見)" obviously reflect the characteristics of "Bosideng", "Snow Flying", "Bingjie", "Kangbo" and "Bosideng Menswear" respectively.

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

At the 18th China International Clothing and Accessory Fair held in March 2010, the Group tendered an exhibition area of over 1,600 square meters in three main exhibition zones namely menswear, casual wear and down. The Group brought its "Bosideng Menswear", "BOSIDENG VOGUE", "Snow Flying" and "Bingjie" to the stage and its exhibition area was the biggest among all participating brands, which attracted various professionals, purchasers and franchisee to visit and arrange further discussion.

Actively enhancing management system to optimize operation efficiency

During the period under review, the Group continued its expansion based on its business scale. It also optimized its management system and improved its planning in respect of products design, pricing, promotion and sale. Cost effectiveness was improved by bulk purchase, shortened product production cycle and batch production. In addition, the establishment of the regional logistic centers of the Group speeded up its decision-making of sales strategies, enhanced operation efficiency and catered for the changes of the market effectively to achieve better economy of scale. The enhancement of the management system will enable the Group to efficiently respond to changes of demand and cost in the market and adjust its pricing accordingly for optimizing its business performance.

Comprehensively optimizing information system and establishing e-commerce platform

The Group proactively improved its traditional business by leveraging on network information technology and e-commerce platform. ERP information engineering was introduced in the procedures such as order management, material examination, production and manufacturing, outsourcing and processing, storage and logistics and marketing services, forming a responsive and effective integrated supply chain, as well as reducing inventory and increasing logistic turnover rate. During the reporting period, the Group further optimized and adjusted basic hardware and system platform of its information system and improved data security. The software system was also optimized by establishing two versions of ERP system, which are applicable to its two major segments, namely the down apparel products and non-down apparel products. By applying ERP system to mobile phones, ERP data can be sent through text messages by mobile phone. As a result, extraordinary condition of the system can be supervised and notified by text message through mobile phone, allowing relevant personnel obtain important operating information timely and make prompt response to market changes.

During the reporting period, the Group was equipped with the electronic ordering system, which managed electronic ordering, delivery, capital, inventory enquires and analysis of sales statistics. The Group successfully established an e-commerce platform by opening an official flagship store in mall.taobao.com and initiating the operation and management of online sales. The establishment of e-commerce platform echoed the current online shopping trend, providing consumers with a more convenient way of shopping and contributed satisfactory online sales results to the Group.

Enhancing brand recognition of the Group by opening large flagship stores

The Group has continued to optimize the retail network of down apparel business by reorganizing its sales regions. While eliminating and replacing substandard distributors and retail shops with unsatisfactory performance, the Group was committed to formulating a reasonable overall planning and optimizing each retail shops. By uniformizing retail channels located in various places with different decoration styles, shop decoration and product display can be standardized. Moreover, the products, retail space, lighting effects, service and ambience are in tune with fashionable trends.The business of Bosideng's menswear focuses on market expansion and commenced to enter first tier cities as a new breakthrough by leveraging on the experience of its development in second and third tier cities.

The Group has gradually established large flagship stores in flourishing business districts of major cities in China which provide consumers with a more spacious and comfortable shopping environment, and effectively improved the brand recognition of the Group. "Bosideng Menswear" flagship stores were opened in Qianmen Street in Beijing, Zhongshan Road in Wuhan and Songhong Road in Shanghai, while a numerous of large flagship stores of "Bosideng" down apparel were opened in Wanbao Road in Changsha and Zhongshan East Road in Ningbo. In particular, the grand opening of "Bosideng" flagship store in Nanjing East Road in Shanghai, which is the most flourishing street in China, was held in January 2010. As the representative situated in the prime commercial region in Shanghai among all flagship stores, it has a stunning scale with a total area of 7,000 square metres (seven storeys in total, of which three storeys have commenced operation in the first stage). The external image and the internal display of the flagship store show an international brand and a new attitude and environment, allowing customers to enjoy a wonderful shopping experience.

Retail outlets of down business

Retail network composition by outlet type

Store types	As at March 31, 2010	2009	Changes
Specialty store			
– operated by the Group	**7**	31	-24
– operated/supervised by third party distributors	**3,289**	3,829	-540
	3,296	3,860	-564
Concessionary retail outlets			
– operated by the Group	**988**	694	+294
– operated/supervised by third party distributors	**1,336**	1,108	+228
	2,324	1,802	+522
Total	**5,620**	5,662	-42

Retail network composition by geographic location

Sales Regions*	As at March 31, 2010	2009	Changes
Northern China areas (formerly known as North Western China)	**3,262**	3,434	-172
Eastern China areas	**1,189**	1,161	+28
Central China areas	**1,169**	1,067	+102
Total	**5,620**	5,662	-42

* Northern China areas: the three north-eastern provinces, Shanxi, Shaanxi, Xinjiang, Sichuan, Chongqing, Inner Mongolia, Gansu, Ningxia, Tibet, Yunnan, Guizhou, Shandong, Beijing, Tianjin, Hebei, Qinghai

Eastern China areas: Jiangsu, Zhejiang, Shanghai, Anhui, Fujian

Central China areas: Henan, Hunan, Hubei, Jiangxi, Guangdong, Guangxi

Retail outlets of Bosideng Menswear business

Retail network composition by outlet type

	As at March 31,		
Store types	**2010**	2009*	Changes
Specialty store			
– operated by the Group	**34**	2	+32
– operated according to franchise agreement	**56**	25	+31
– operated by third party distributors	**343**	342	+1
	433	369	+64
Retail outlets			
– operated by the Group	**39**	10	+29
– operated according to franchise agreement	**43**	23	+20
– operated by third party distributors	**244**	258	-14
	326	291	+35
Total	**759**	660	+99

* Prior to May 2009, as Bosideng's menswear business was not included in the Group, such information is for reference only.

Financial Review

Revenue

Branded down apparel business remained the largest contributor which accounted for 81.7% of the Group's revenue, with the remaining 11.3% and 7.0% coming from the OEM management business and menswear apparel business, in comparison with 87.7%, 12.3% and nil % respectively in the previous year.

The Group's revenue for the year ended March 31, 2010 increased by 34.2% year-on-year to approximately RMB5,738.1 million. This was mainly due to the strong demand of down apparel in long winter and the Group's strategy of products differentiation. Sales of the Group's branded down apparel increased by 25.1% year-on-year to approximately RMB4,688.9 million, while revenue from OEM management operations also increased by 22.6% to approximately RMB646.8 million due to the consumer sentiment revived after the global financial crisis. Since May 2009, menswear apparel business contributed approximately RMB402.4 million for of the Group's revenue.

Sales analysis by products

	Year ended March 31,				
	2010		2009		
	(RMB million)	**% of total revenue**	(RMB million)	% of total revenue	Changes (in %)
Branded down apparel					
• Outright sales	**3,222.5**	**56.2%**	2,525.2	59.1%	+27.6
• Consignment sales	**1,459.3**	**25.4%**	1,209.9	28.3%	+20.6
• Others*	**7.1**	**0.1%**	12.5	0.3%	-43.2
Total down apparel revenue	**4,688.9**	**81.7%**	3,747.6	87.7%	+25.1
OEM management	**646.8**	**11.3%**	527.5	12.3%	+22.6
Menswear apparel	**402.4**	**7.0%**	—	N/A	N/A
Total revenue	**5,738.1**	**100.0%**	4,275.1	100.0%	+34.2

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

A majority of the Group's products were sold through outright sales, which accounted for 68.7% of the Group's branded down apparel revenue, compared to 67.4% in the previous year.

Revenue analysis of down apparel sales by brand

	Year ended March 31,				
	2010		2009		
Brands	**(RMB million)**	**% of branded down apparel sales**	(RMB million)	% of branded down apparel sales	Changes (in %)
Bosideng	**2,900.3**	**61.9%**	2,300.1	61.4%	+26.1
Snow Flying	**886.6**	**18.9%**	854.8	22.8%	+3.7
Bingjie	**386.4**	**8.2%**	213.3	5.7%	+81.2
Kangbo	**526.9**	**11.2%**	359.1	9.6%	+46.7
Other brands	**18.3**	**0.4%**	20.8	0.6%	-12.0
Others	**7.1**	**0.2%**	12.5	0.3%	-43.2
Sub-total	**4,725.6**	**100.8%**	3,760.6	100.4%	+25.7
Sales rebates	**(36.7)**	**(0.8)%**	(13.0)	(0.4%)	+182.3
Total down apparel revenue	**4,688.9**	**100.0%**	3,747.6	100.0%	+25.1

In an effort to strengthen differentiation amongst various brands, the Group adjusted its product offerings under its portfolio of brands. While the Group's core brand, "Bosideng" brand, continues to be marketed as a medium to high end brand, targeting customers with greater consumption power and who seek trendy and fashionable designs, "Snow Flying" brand appeals to younger customers with more energetic lifestyles. "Kangbo" and "Bingjie" branded apparel offer colourful, youthful down apparel lines for mainly men and ladies respectively, and is targeted at the mass market. As a result of such brand positioning strategy, "Bosideng" branded apparel remained the highest contributor and contributed 61.9% or approximately RMB2,900.3 million of the total branded down apparel sales. "Snow Flying" branded apparel contributed 18.9% or approximately RMB886.6 million of the total branded down apparel sales. "Bingjie" and "Kangbo" recorded revenues of approximately RMB386.4 million and RMB526.9 million, which represented 8.2% and 11.2% of the total branded down apparel sales respectively.

Cost of sales and gross profit

Cost of sales for the year remained stable as a percentage of revenue as compared to the previous year. It amounted to approximately RMB2,851.5 million, or 49.7% of the Group's revenue, as compared to approximately RMB2,330.2 million or 54.5% of Group's revenue in the previous year. This is mainly attributable to stringent cost control measures and the Group's strategy of maintaining profitability.

The sales margin of branded down apparel, OEM management and menswear business for the period under review was 54.1%, 22.0% and 51.4% respectively, compared to last year for branded down apparel and OEM management was 49.3% and 18.3% respectively.

Fair value changes on derivative financial instruments

The Group entered into a conditional call option agreement dated August 29, 2008 under which the Group was granted a call option to acquire the menswear apparel business from Goldwai Holdings Limited at an appropriate time in future. The exercise price of this call option as at the acquisition date of May 26, 2009 constitutes an one-off impairment loss of approximately RMB25.8 million for the financial year ended March 31, 2010. Please refer to the Company's announcement dated August 29, 2008 and the circular dated September 11, 2008 for further details of the terms of the conditional call option agreement.

Distribution expenses

The Group's distribution expenses, mainly comprising advertising, promotion, concessionaire fees and salary and welfare, amounted to approximately RMB1,343.4 million, representing an increase of 30.5%, compared with approximately RMB1,029.8 million in the previous year. The increase of actual spending was mainly due to the increase in number of store and headcount for the development of non-down apparels business and the expansion of the specialty stores operated by the Group. In terms of percentage to revenue, distribution expenses constituted 23.4% of total revenue, signifying a slight drop of 0.7 percentage points compared with 24.1% in the same period last year.

Administration expenses

The administrative expenses of the Group, which mainly comprising bad and doubtful debts provision, salary and welfare, travel and office expenses, amounted to approximately RMB235.8 million, a decrease of 17.8%, compared with approximately RMB287.0 million in the previous year. The decrease mainly resulted from the reduction of bad and doubtful debts' impairment. During the year under review, administration expenses accounted for 4.1% of the Group's revenue, representing a decrease of 2.6 percentage point as compared with 6.7% in the same period last year.

Operating profit

During the year under review, the Group's operating profit increased by 77.3% to approximately RMB1,205.5 million. Operating profit margin was 21.0%, an increase of 5.1 percentage points as compared to that of the previous year.

Finance income

The Group's finance income for the year under review decreased to approximately RMB75.4 million from approximately RMB105.6 million in the previous year. The decrease was due to the drop in interest rate.

Finance expenses and taxation

The Group's finance expenses for the year under review decreased by 62.7% to approximately RMB3.5 million due to the full repayment of loans and bank borrowings during the year.

For the year ended March 31, 2010, income tax expenses increased sharply from approximately RMB27.8 million to approximately RMB198.9 million. The Group's four principal operating subsidiaries in the PRC, being foreign investment enterprises, commenced their entitlement of a tax-free period for two years from January 1, 2007, followed by a further 3-year tax exemption of 50% of the applicable tax rate. Therefore, the tax-free period ended on December 31, 2008 and a substantial portion of the Group's profit was taxable using the applicable tax rate with 50% deduction since January 1, 2009.

Final dividends

The Board has recommended the payment of a final dividend of RMB8.8 cents per ordinary share for the year ended March 31, 2010. The proposed dividend payments are subject to approval by the shareholders of the Company at the annual general meeting to be held on or around August 26, 2010 and are payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on July 7, 2010. Upon shareholders' approval, the proposed final dividends will be paid on or around August 30, 2010 to shareholders whose names appear on the register of members of the Company on August 26, 2010.

Liquidity and financial resources

The Group adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was cash generated from operating activities.

For the year ended March 31, 2010, the Group's net cash generated from operating activities amounted to approximately RMB1,605.2 million, compared to approximately RMB1,424.4 million as at March 31, 2009. Cash and cash equivalents as at March 31, 2010 was in the amount of approximately RMB3,127.6 million, compared to approximately RMB3,812.9 million as at March 31, 2009. The decrease in cash and cash equivalents was due to the cash used in the acquisition of the Bosideng's menswear business and the payment of final dividend for the financial year ended March 31, 2009.

In order to maximise returns on the Group's available cash reserves, the Group had held-to-maturity investments and available-for-sales financial assets, which comprised principal guaranteed short-term investments with banks in the PRC. Held-to-maturity investments have determinable interest rates ranging from 4.0% to 4.1% per annum and have maturity periods ranging from 6 to 12 months. Available-for-sale financial assets have expected but not guaranteed returns ranging from 4.0% to 4.5% per annum.

As at March 31, 2010, the Group had no outstanding loans and bank borrowings. The gearing ratio (total debt/total equity) of the Group was zero.

Contingent liabilities

As at March 31, 2010, the Group had no material contingent liabilities or capital commitments.

Operating lease commitment

As at March 31,2010, the Group had a non-cancellable operating lease commitments which amounting to approximately RMB290.4 million (March 31, 2009: approximately RMB27.0 million).

Pledge of assets

As at March 31, 2010, bank deposits amounting to approximately RMB2.2 million had been pledged to secure the Group's banking facilities in relation to bills payable (March 31, 2009: approximately RMB32,000).

Financial management and treasury policy

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

Foreign currency exposure

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

As at March 31, 2010, the Directors considered the Group's foreign exchange risk to be insignificant. During the year under review, the Group did not use any financial instruments for hedging purposes.

Human Resources

As at March 31, 2010, the Group had 1,926 full-time employees, of which 122 were under non-seasonal apparel business (March 31, 2009: 1,740 full-time employees, all of which were under down apparel business). Staff costs for the year ended March 31, 2010 (including Directors' remuneration in the form of salaries and other allowances) was approximately RMB298.6 million (2009: approximately RMB203.6 million). This increase was mainly due to the increase of headcount to support the development of non-down apparel business such as Bosideng's menswear as well as expansion of the specialty stores operated by the Group. The Group's salary and bonus policy is primarily based on duties, performance and length of service of each individual employee with reference to the prevailing market conditions.

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

As at March 31, 2010, no share option was granted by the Group under the Share Option Scheme.

Business Outlook

Going forward, the Group holds a caustiously positive outlook. Year 2010/11 will be a crucial year for the PRC apparel industry. It will be the first year to implement "Adjustment and Revitalisation Plan of Textile Industry(《紡織工業調整和振興規劃》)" and the first year after the formulation of Strategy For Strengthening the Nation by PRC Textile Apparel in 2020(2020中國紡織服裝強國策略). In addition, it will be the new decade of development of the PRC apparel industry, which will keep on its future development from a brand new perspective. The Group will also leverage on the competitive edges of "Bosideng" brand to integrate the style positioning, design, research and development as well as sales channels of its brands comprehensively with a global perspective to ensure the product styles are united but remain their own uniqueness and to satisfy different demands from consumers. In the next three to five years, the Group will complete its transformation from product-oriented operation to brand-oriented operation. It will also continue to increase the proportion of the non-down apparel business in overall sales and transform "Bosideng" into an international well-known integrated apparel brand operator.

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

Actively promoting the development of non-down apparel business

Based on the successful consolidating and maintaining its market shares in the down apparel industry and its satisfactory results, the Group will continue to fully implement and facilitate the strategy of developing non-seasonal products and increase the proportion of the non-down apparel business in overall sales.

In the coming years, in addition to developing non-down apparel business such as Bosideng's menswear, the Group will also enhance its brand and product mix by actively identifying non-down apparel brands with growth potential and good reputation for acquisitions, mergers or cooperation. It will not only expedite the development of non-down apparel business and offer high quality products to different consumer groups all-year-round, but also realize the transformation of "Bosideng" into an international well-known integrated apparel brand operator.

Comprehensively integrating style positioning of all brands

In order to satisfy different demands from consumers, the Group will integrate the style positioning, design, research and development as well as sales channels of its brands in a comprehensive way to ensure the product styles are united but remain their own uniqueness.

The Group will adjust the development strategy of its brand portfolio to further enrich the cultural significance of "Bosideng" and upgrade the brand positioning of "Bosideng". On the basis of strengthening its position as the top high end brand in the PRC down apparel market, the Group will extend the influence of "Bosideng" brand to other non-down apparel area so as to transform "Bosideng" into an established international well-known brand. At the same time, the Group will make full efforts to drive the respective development of dominant brands such as "Snow Flying", "Kangbo" and "Bingjie" (and such other brands newly acquired by the Group by ways of mergers and acquisitions, distributorships, joint ventures and sharing of retail channels).

Consolidating its leadership in market trend by enhancing design and research and development capabilities

Creative and innovative designs contribute to the establishment of an excellent brand, and a leading brand in market trend can lead the transformation and upgrading in the apparel industry. The Group will continue to expand and strengthen its research, design and development team. The Group has also planned to cooperate with local and international renowned research institutions to develop and apply new fabric, which aim to raise the product competitiveness and added-value of the brand. Meanwhile, the Group will create and offer space and platform for its designers to develop their art potential and stimulate their inspiration. Their design capabilities are also enhancing through various exchange, learning and cooperation opportunities with local and international renowned design houses and the leading position of the Group in the PRC cold-resistant clothing market will be consolidated. The Group will also expand its non-down apparel products and business and further consolidate its leadership in non-seasonal market trend by leveraging on its excellent and innovative design capabilities.

Raising brand value by strengthening marketing efforts

The Group will further increase its marketing efforts and strengthen marketing sales strategy in order to effectively expand the market, raise brand value and maximize profitability of the Group's business. Depending on the different styles and market positioning of various brand products, the Group will selectively adopt various flexible strategies to promote the brands and demonstrate the positioning and product images of each brand under the Group in a comprehensive way.

For down apparel business, apart from the original promotion methods such as media commercials and product launch shows, the Group will place more emphasis on the interactions with consumers. All retail outlets will organize different activities such as trial experience, exhibitions and offering privileges, which allow the consumers to change fashionably with Bosideng. On the other hand, "Bosideng Menswear" has carried out brand promotions in high end media platforms such as CCTV and continued the cooperation with well-known singer Leehom Wang who helps to demonstrate the stylish menswear of Bosideng.

Enhancing image as well as optimizing and expanding retail network

The Group will increase efforts in building its image by engaging famous store designers to design a more stylish image and expand the number of large flagship stores in major cities in due course. The flagship store can provide a larger and more comfortable shopping environment for the consumers. The Group will open "gallery-styled" large brand flagship stores to display the full range of products under the Bosideng brands, and utilise its new image visual system for retail outlets to provide a complete shopping experience to consumers.

The Group will continue to integrate and optimize sales channels of the down apparel products. For non-down apparel products, the Group will focus on market expansion. Among which, the number of retail stores of "Bosideng Menswear" is expected to reach approximately 1,100 in 2011; "Rocawear" brand business is planned to open more than 300 "Rocawear" freestanding stores and shop-in-shop concepts in the Greater China Region by 2013; and "BOSIDENG VOGUE" will formulate plan to increase retail stores based on its specific business development progress and market demands.

Continuous efforts to develop a comprehensive information system for e-commerce

In view of the modern online shopping trend, the Group will further optimize the e-commerce platform and expand its e-commerce from down apparel to non-down apparel products in order to provide a more convenient way of shopping for consumers. The Group will also further strengthen and improve the construction of a corporate information system, which will extend the user coverage and strengthen the management of the information system. Accurate collection of information, real time data transmission, quantified performance assessment as well as optimized corporate management procedures will be materialized. It has also helped to enhance the corporate management level which based on scientific management instead of experience.

Closure of Register of Members

The register of members of the Company will be closed from August 23, 2010 to August 26, 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend payable on August 30, 2010 and to determine the identity of the members who are entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on August 20, 2010.

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

The Company had not purchased, sold or redeemed any of its own listed shares during the year ended March 31, 2010.

Code on Corporate Governance Practices

The Directors are of the opinion that the Company had complied with the Code on Corporate Governance Practices ("Code"), as set out in Appendix 14 to the Listing Rules for the year ended March 31, 2010, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they had complied with all relevant requirements as set out in the Model Code during the year ended March 31, 2010.

Audit Committee

The audit committee of the Company (the "Audit Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to Rule 3.21 of the Listing Rules and paragraph C3 of the Code, whose primary duties are to review and supervise the financial reporting process and internal control procedures of the Group, nominate and monitor external auditors, and perform other duties and responsibilities as assigned by the Board. The Company's consolidated financial statements for the year ended March 31, 2010 have been reviewed by the Audit Committee and audited by KPMG. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ngai Wai Fung (Chairman), Mr. Dong Binggen and Mr. Jiang Hengjie.

Remuneration Committee

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

Nomination Committee

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

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

This announcement will be published on the websites of the Stock Exchange and the Company's website (http://company.bosideng.com). The annual report for the year ended March 31, 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

The remarkable results of the Group were attributed to the efforts of all the staff and the support of consumers for the Group's products. I would like to express my heartfelt gratitude to all the staff for their dedication and outstanding performance and to our shareholders, distributors, customers and suppliers for their long term support.

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

Hong Kong, July 7, 2010

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