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, 2011

HIGHLIGHTS

- Revenue increased by 22.7% to approximately RMB7,037.8 million
- Non-down apparel contribution increased to 8.4% of the total revenue
- Gross profit improved by 14.3% to approximately RMB 3,299.4 million
- Net profit attributable to equity holders of the Company increased by 18.3% to approximately RMB1,276.4 million
- Proposed a final dividend of RMB6.8 cents and a special dividend of RMB6.0 cents (totalling RMB12.8 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, 2011, together with the comparative figures for the year ended March 31, 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2011

	Note	For the year ended March 31, **2011** *RMB'000*	2010 *RMB'000*
Revenue	3	**7,037,805**	5,738,121
Cost of sales		**(3,738,436)**	(2,851,484)
Gross profit		**3,299,369**	2,886,637
Other income	4	**19,617**	36,279
Fair value changes on derivative financial instruments		**—**	(25,811)
Distribution expenses		**(1,706,556)**	(1,343,387)
Administrative expenses		**(207,239)**	(235,803)
Other expenses	4	**(33,223)**	(112,394)
Profit from operations		**1,371,968**	1,205,521
Finance income		**142,153**	75,395
Finance costs		**(13,447)**	(3,476)
Net finance income	6	**128,706**	71,919
Profit before income tax		**1,500,674**	1,277,440
Income tax expense	7	**(228,678)**	(198,895)
Profit for the year		**1,271,996**	1,078,545
Other comprehensive income for the year			
Exchange differences on translation of financial statements of foreign operations		**(6,232)**	(2,140)
Net change in fair value of available-for-sale financial assets		**(29,407)**	48,509
Income tax on other comprehensive income		**3,447**	(5,727)
Other comprehensive income for the year, net of tax		**(32,192)**	40,642
Total comprehensive income for the year		**1,239,804**	1,119,187

	Note	For the year ended March 31, 2011	2010
		RMB'000	*RMB'000*
Profit/(loss) attributable to:			
Equity shareholders of the Company		**1,276,446**	1,078,550
Non-controlling interests		**(4,450)**	(5)
Profit for the year		**1,271,996**	1,078,545
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,244,254**	1,119,192
Non-controlling interests		**(4,450)**	(5)
Total comprehensive income for the year		**1,239,804**	1,119,187
Earnings per share	9		
– basic (RMB cents)		**16.42**	13.88
– diluted (RMB cents)		**16.42**	13.88

CONSOLIDATED BALANCE SHEET

At March 31, 2011

	Note	At March 31, 2011 RMB'000	At March 31, 2010 RMB'000
Non-current assets			
Property, plant and equipment		**313,382**	214,482
Lease prepayments		**31,203**	32,389
Intangible assets		**509,453**	525,912
Long-term deposits		**—**	65,000
Deferred tax assets		**171,031**	52,434
		1,025,069	890,217
Current assets			
Inventories	10	**1,214,783**	859,687
Trade, bills and other receivables	11	**1,046,527**	867,510
Receivables due from related parties		**97,127**	48,334
Prepayments for materials and service suppliers		**730,587**	228,063
Held-to-maturity investments		**—**	400,000
Available-for-sale financial assets		**1,519,102**	1,618,509
Pledged bank deposits		**760,378**	2,232
Time deposits with maturity over 3 months		**1,300,479**	339,676
Cash and cash equivalents		**1,417,629**	3,127,587
		8,086,612	7,491,598
Current liabilities			
Interest-bearing borrowings		**586,880**	—
Trade and other payables	12	**1,178,692**	1,204,898
Payables due to related parties		**14,365**	10,399
Current income tax payables		**199,254**	147,667
		1,979,191	1,362,964
Net current assets		**6,107,421**	6,128,634
Total assets less current liabilities		**7,132,490**	7,018,851

	Note	At March 31, 2011 RMB'000	2010 RMB'000
Non-current liabilities			
Long-term payables		**—**	65,000
Deferred tax liabilities		**165,759**	140,698
		165,759	205,698
Net assets		**6,966,731**	6,813,153
EQUITY			
Share capital		**607**	607
Reserves		**6,872,579**	6,812,551
Equity attributable to equity shareholders of the Company		**6,873,186**	6,813,158
Non-controlling interests		**93,545**	(5)
Total equity		**6,966,731**	6,813,153

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

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

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Improvements to IFRSs (2009)

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

The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

The amendment introduced by the Improvements to IFRSs (2009) omnibus standard in respect of IAS 17, Leases, has had no material impact on the Group's financial statements as the classification of the Group's interests in leasehold land as operating leases continues to be appropriate.

As a result of the amendment to IFRS 8, "Operating segments", arising from the Improvements to IFRSs (2009) omnibus standard, the measure of total assets for each reportable segment is only required to be presented if it is regularly provided to the Group's chief operating decision maker. Segment assets of the Group are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets have not been presented in the financial statements.

3. REVENUE AND SEGMENT REPORTING

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

- Down apparels - The down apparels segment carries on the business of sourcing and distributing branded down apparels.
- OEM 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

	For the year ended March 31, 2011			
	Down apparels *RMB'000*	**OEM management** *RMB'000*	**Menswear apparels** *RMB'000*	**Group** *RMB'000*
Revenue to external customers	**5,684,635**	**768,703**	**584,467**	**7,037,805**
Inter-segment revenue	**—**	**—**	**18,299**	**18,299**
Reportable segment revenues	**5,684,635**	**768,703**	**602,766**	**7,056,104**
Reportable segment profit from operations	**1,226,130**	**85,676**	**172,143**	**1,483,949**
Depreciation	**24,732**	**224**	**18,255**	**43,211**

	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

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

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenues	**7,056,104**	5,745,308
Elimination of inter-segment revenue	**(18,299)**	(7,187)
Consolidated revenue	**7,037,805**	5,738,121

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax		
Reportable segment profit derived from the Group's external customers	**1,483,949**	1,384,779
Amortization expenses	**(17,645)**	(19,643)
Impairment losses of customer relationships	**—**	(100,000)
Government grants	**5,851**	27,305
Unallocated expenses	**(100,187)**	(86,920)
Finance income	**142,153**	75,395
Finance costs	**(13,447)**	(3,476)
Consolidated profit before income tax	**1,500,674**	1,277,440

4. **OTHER INCOME /(EXPENSES)**

	Note	**For the year ended March 31, 2011 RMB'000**	2010 RMB'000
Royalty income	(i)	**13,766**	8,974
Government grants	(ii)	**5,851**	27,305
Other income		**19,617**	36,279
Donations		**(33,223)**	(12,394)
Impairment losses of customer relationships		**—**	(100,000)
Other expenses		**(33,223)**	(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 RMB5,851,000 for the year ended March 31, 2011 (2010: RMB27,305,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

5. EXPENSES BY NATURE

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

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Cost of inventories recognized as expenses included in cost of sales	**3,740,116**	2,864,967
Reversal of inventories to net realizable value	**(1,680)**	(13,483)
Depreciation	**43,211**	24,435
Amortization	**17,645**	19,643
Operating lease charges	**125,677**	65,840
(Reversal)/provision for impairment of bad and doubtful debts	**(51,529)**	47,900
Auditors' remuneration	**6,000**	7,100

6. NET FINANCE INCOME

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Recognized in profit or loss:		
Interest income on held-to-maturity investments	**3,732**	32,758
Interest income on bank deposits	**48,865**	42,637
Interest income on available-for-sale financial assets	**89,556**	—
Finance income	**142,153**	75,395
Interest on interest-bearing borrowings	**(1,666)**	—
Bank charges	**(9,542)**	(2,371)
Net foreign exchange loss	**(2,239)**	(1,105)
Finance costs	**(13,447)**	(3,476)
Net finance income recognized in profit or loss	**128,706**	71,919
Recognized in other comprehensive income:		
Exchange differences on translation of financial statements of foreign operations	**(6,232)**	(2,140)
Net change in fair value of available-for-sale financial assets	**(29,407)**	48,509
Income tax on finance income recognized in other comprehensive income	**3,447**	(5,727)
Net finance income recognized in other comprehensive income, net of tax	**(32,192)**	40,642

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,	
	2011	2010
	RMB'000	*RMB'000*
Current tax expenses		
Provision for PRC income tax	**318,767**	209,564
Deferred tax benefit		
Origination of temporary differences	**(90,089)**	(10,669)
	228,678	198,895

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

(ii) No tax provision has been made for International Company Bosideng Ltd., Bosideng America Inc. and Bosideng UK Limited, subsidiaries of the Group incorporated in Russia, the United States (the "US") and the United Kingdom (the "UK"), respectively, as they do not have assessable profits subject to any Russian, US or UK 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 16 March 2007, the PRC government enacted the new Enterprise Income Tax law ("new EIT law"), which unified the income tax rate to 25% for all companies. The new EIT law was effective as of 1 January 2008. Consequently, the Group's domestic subsidiaries established in the PRC are subject to income tax at 25% from 2008 onwards, except for those subsidiaries of the Group that are foreign investment enterprises, which will continue to enjoy tax-exemption or 50% reduction on the applicable income tax rates under the new EIT Law during the transitional period of five years starting from January 1, 2008 until the expiry of the tax holidays previously granted under the FEIT Law. Thereafter these subsidiaries are subject to the unified rate of 25%.

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

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**1,500,674**	1,277,440
Income tax at the applicable PRC income tax rate of 25%	**375,168**	319,360
Tax losses not recognized as deferred tax assets	**8,193**	17,457
Non-deductible expenses	**25,892**	20,192
Effect of tax concessions of PRC operations	**(215,797)**	(186,668)
Tax effect on undistributed profits of PRC subsidiaries	**31,000**	30,000
Others	**4,222**	(1,446)
Income tax expense	**228,678**	198,895

8. DIVIDENDS

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

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Interim dividend declared and paid of RMB6.5 cents per ordinary share (2010: interim dividend of RMB3.8 cents per ordinary share)	**505,203**	295,349
Final dividend proposed after balance sheet date of RMB6.8 cents per ordinary share (2010: RMB8.8 cents per ordinary share)	**528,520**	683,967
Special dividend proposed after balance sheet date of RMB6 cents per ordinary share (2010: Nil)	**466,341**	—
	1,500,064	979,316

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

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

	For the year ended March 31,	
	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB8.8 cents per share (2010: final dividend of RMB8 cents per share)	**683,967**	621,788

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended March 31, 2011 was based on the profit attributable to equity shareholders of the Company for the year of RMB1,276,446,000 (2010: RMB1,078,550,000) and the weighted average number of shares in issue during the year ended March 31, 2011 of 7,772,350,000 (2010: 7,772,350,000).

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

	For the year ended March 31,	
EARNINGS	**2011**	2010
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to equity shareholders of the Company	**1,276,446**	1,078,550

	For the year ended March 31,	
NUMBER OF SHARES (THOUSAND)	**2011**	2010
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,772,350**	7,772,350
Basic and diluted earnings per share (RMB cents)	**16.42**	13.88

10. INVENTORIES

	The Group At March 31, 2011 RMB'000	2010 RMB'000
Raw materials	**117,214**	59,869
Work in progress	**22,666**	6,243
Finished goods	**1,074,903**	793,575
	1,214,783	859,687

At March 31, 2011, inventories carried at net realizable value amounted to approximately RMB414,584,000 (2010: RMB359,212,000).

11. TRADE, BILLS AND OTHER RECEIVABLES

	The Group At March 31,		The Company At March 31,	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**560,807**	609,015	**—**	—
Bills receivables	**82,077**	51,656	**—**	—
	642,884	660,671	**—**	—
Third party other receivables:				
• VAT recoverable	**114,189**	55,562	**—**	—
• Deposits	**108,104**	63,272	**10**	10
• Advances to employees	**3,963**	5,708	**—**	—
• Deposit within an escrow account	**130,000**	65,000	**—**	—
• Others	**47,387**	17,297	**2,820**	451
	1,046,527	867,510	**2,830**	461

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, 2011, trade and bills receivables of approximately RMB59,294,000 (2010: RMB32,910,000) 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,**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within credit terms	**583,590**	627,761	**—**	—
1 to 3 months past due	**51,121**	32,685	**—**	—
Over 3 months but less than 6 months past due	**528**	225	**—**	—
Over 6 months but less than 12 months past due	**1,378**	—	**—**	—
Over 1 year	**6,267**	—	**—**	—
	642,884	660,671	**—**	—

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,**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At the beginning of the year	**190,565**	181,565	**—**	—
(Reversal)/provision for impairment of bad and doubtful debts	**(51,529)**	47,900	**—**	—
Write off	**(8,502)**	(38,900)	**—**	—
At the end of the year	**130,534**	190,565	**—**	—

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 At March 31,		The Company At March 31,	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**333,429**	438,034	**—**	—
Other payables and accrued expenses				
• Deposits from customers	**359,531**	423,938	**—**	—
• Accrued rebates and commissions	**165,141**	99,378	**—**	—
• Accrued advertising expenses	**52,424**	55,929	**—**	—
• Accrued payroll and welfare	**97,862**	73,353	**1,072**	1,188
• Contingent consideration payables	**130,000**	65,000	**—**	—
• Dividends payable	**5,000**	5,000	**—**	—
• Others	**35,305**	44,266	**—**	—
	1,178,692	1,204,898	**1,072**	1,188

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 At March 31,		The Company At March 31,	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due within 1 month or on demand	**108,326**	183,862	**—**	—
Due after 1 month but within 3 months	**225,103**	254,172	**—**	—
	333,429	438,034	**—**	—

13. POST-BALANCE SHEET EVENTS

Subsequent to March 31, 2011, the Company proposed a final dividend of RMB528,520,000 and a special dividend of RMB466,341,000 representing RMB6.8 cents per ordinary share and RMB6 cents per ordinary share, respectively, to the equity shareholders of the Company. Further details are disclosed in note 8.

On May 27, 2011, a subsidiary of the Company signed an acquisition agreement for a property located at 28 South Molton Street, neighboring the Oxford Street shopping area in the West End of London, at a consideration of GBP 20,050,000 (approximately RMB 213,314,000). The subsidiary plans to further invest approximately GBP 5,000,000 to 6,000,000 to reconstruct the property into a landmark building. The property will function as the Group's European flagship store for down apparel and menswear products, as well as its European headquarters.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2010, the economy of China further improved and recorded a GDP of RMB39,800 billion, representing a growth rate of 10.3% when compared with 2009, or 1.1 percentage points higher than that of 2009. Out of the last five years, the GDP of China saw double-digit growth in three years. The growth of consumption was relatively fast. In 2010, the total retail sales of China increased by 18.4% when compared with 2009, or 2.8 percentage points higher than that of 2009. The real growth rate of GDP was 14.8% after adjustment for price factor. The annual retail sales per capita of China was over RMB10,000. The consumption market of China experienced its structural change and has gained its momentum to grow at a faster pace.

Business Review

Our down apparel business maintained its leading market position and the results met expectations

During the 2010/2011 financial year, the apparel industry was under the pressure of increasing raw material and labor costs while sales and margins also declined. In response to the challenging market conditions, we changed our marketing strategy to promote our strong brand name and to introduce innovative products. We adopted a dynamic approach in the management of our supply chain to meet the changing market demands. In particular, the Group was able to meet the increased demand when winter weather came in October 2010. We promptly replenished the stock of popular items during the extended peak season from December 2010 onwards. With significant growth in market demand, the Group recorded satisfactory sales.

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

Our non-down apparel business has gained its growth momentum

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

"Bosideng MAN": Acquisition of "Bosideng MAN" business in 2009 was the first step of the Group's transformation from offering seasonal products to non-seasonal apparel products. Leveraging on the Bosideng brand and strong support of the Group, "Bosideng MAN" has been repositioned as a menswear brand demonstrating "Quality of Life". It has successfully converged with our existing businesses and has experienced comprehensive improvements in various aspects including brand positioning, product quality, public awareness and sales channels. Products of "Bosideng MAN" are welcomed by the consumers at large and achieved outstanding results. The rapid growth in the results of "Bosideng MAN" during the reporting period met the expectation of the management.

"ROCAWEAR": The key step of the Group to develop the strategy of non-seasonal apparel business and become an integrated apparel brand operator was to operate the "ROCAWEAR" business in the Greater China Region (including China, Hong Kong, Macau Special Administrative Region and Taiwan). Since its establishment in 2009, the joint venture of "ROCAWEAR" has actively worked on the preparation for operation of "ROCAWEAR" brand. As at the reporting period, "ROCAWEAR" brand has established a number of sales outlets in Beijing, Shanghai, Hangzhou, Tianjin and Chongqing to introduce this American brand to the consumers in China.

"BOSIDENG RICCI": "BOSIDENG RICCI" is a woman apparel brand created by the Group and is one of the major brands under our strategy of "Product Diversification and Brand Building". Products under this brand are mainly mid and high end woman apparel products of three different styles of "Trendy", "Elegant" and "Unique" and four collections for different seasons in colors of black, white, grey, beige and brown. The major customer group is urban women of age 25 to 40 who have a taste of quality life. "BOSIDENG RICCI" has sales outlets in prominent shopping malls and business districts in the Changjiang River Delta. It is intended that more than 80 sales outlets will be established in Eastern China by 2011/2012 and the market coverage of the brand will be expanded to the whole country in three years.

"Mogao": "Mogao" brand was targeted at young consumers of age 20 to 30. Products under this brand are affordable trendy casual wears and are designed to reflect the happy, healthy, natural and simple characteristics of youth. In the next five years, "Mogao" will open 150 to 200 new stores a year to a total number of 1,300 stores by 2015 across the country.

“D.D. Cat”: Lanboxing is a company mainly engages in the design of kids wears and related products as well as brand operation. Its brands include “D.D. Cat”, “Mikyo”, “r100” and “M&Q”, which are created in four different styles of leisure, stylish, sporty and personality. The Company can increase the market share and enhance the awareness of the “D.D. Cat” brand through brand cooperation. In the following five years, these brands will open 150 to 200 stores per year to have approximately 2,000 stores by 2015.

“VETALLO”: “VETALLO” is an international luxury business menswear brand registered in Italy. The Group developed the brand in the second half of 2010 to provide various styles of business menswear of formal suits, business casual wears and elegant casual wears using quality fabrics from premier suppliers all over the world. Products under the “VETALLO” brand are perfect blend of western and oriental styles. The quality of the products is comparable to top international brands. In addition to imported products and accessories, products specially designed with comfortable and simple styles for Asian customers are also provided under the brand. “VETALLO” is the name of elegant outfits. The Group maintained the prudent and disciplined management and operation style of the international luxury brand and established a research and development team by professional designers. The marketing team of the brand has established a unique distribution network comprising self-owned outlets and consignment stores.

Bosideng’s international reputation grew and brand value hit record high

In recent years, apart from receiving various national awards, the awareness and reputation of Bosideng continued to grow in the international market. Bosideng has always been highly recognized by international reputed organizations and gained several awards and was elected on various major ranking lists.

On July 2, 2010, the prize presentation ceremony of Credible Enterprise of China Accreditation 2010 jointly organized by Reputation Institute (China) and China Enterprise Reputation and Credibility Association (Overseas) was held in Hong Kong. The Company was elected as “Credible Enterprise” of China by over 500,000 consumers in mainland China, Hong Kong and Macau through internet and questionnaire. A total of 20 Chinese-owned and Hong Kong-owned enterprises were awarded with “Credible Enterprise” of China of the year.

On September 15, 2010, the 16th annual China's Most Valuable Brand Ranking was announced in Shanghai, the PRC. Bosideng was ranked the 13th with a brand value of RMB18.016 billion. "Snow Flying", a brand of the Group with a brand value of RMB5.132 billion, was on the list again and was ranked 46th. "Most Valuable Chinese Brands" are selected by R&F Global Ranking and Beijing Famous-Brand Evaluation Co. Ltd. based on brand values. Enterprises on the list in previous years were influential consumer brands in the PRC market and were recognized as major contributors to the PRC economy and representatives of the best enterprises in their respective industries.

On April 28, 2011, the Group's parent company was awarded with the "China Grand Awards for Industry" on the 2nd award ceremony of China Grand Awards for Industry. The Group's parent company was the only enterprise acquiring such award in the textile industry, and was the first to receive this award in the domestic consumer industry. The award reflects its excellent performance in brand strategy implementation, advanced management and self-innovation as a role model for the national industry.

Grand outdoor launches surprised the industry again

On April 11, 2010, the grand opening of a product launch show and Bosideng MAN Fall/Winter 2010 trade fair entitled "Leap over（跨越）" was held and attended by more than 500 distributors across the country. Bosideng MAN Fall/Winter 2010 product series, which was an integration of trendiness, status and quality, was fully refined and enhanced with trendy design, body-fit cutting, high-quality fashion fabric and advanced production techniques. In addition to further promoting the high-end image of "Bosideng MAN", the series combined the element of prevailing trend and displayed the quality of modern men and their quest for ego through the themes of "Action（行動）", "Connection（連線）" and "Travel（旅行）", and demonstrated spectacularly the essence of "Quality of Life". During the 12 days of the trade fair, the total amount of sales order reached RMB290 million, representing an increase of approximately 57% as compared to the corresponding period last year.

"ROCAWEAR", a leading street fashion brand from the US under the Group, held its first product launch show on September 3, 2010. In the Fall/Winter 2010, a new product launch show, "ROCAWEAR" showed its fashion sense by using trendy expressions such as "Hip Hop（嘻哈）", "Environmental（環保）" and "Science Fiction（科幻）" as themes. Featuring confidence and bravery, "ROCAWEAR" made use of trendy items, including paillette, metals, artistic font and elaborated accessories, and featured sharp colors, modern and detailed designs, high quality fabric as well as excellent cutting.

The Bosideng 2010 product launch entitled “Charisma of Fabulous Fashion in Zhangjiajie”（羽裳霓曲 • 魅力張家界）was staged in Zhangjiajie, Hunan on September 10, 2010. With the backdrop of “Avatar” accentuating the product design concept of “harmonious sky and earth”, the show displayed over 400 styles of trendy Bosideng down apparel which will be launched in the market. The six down apparel series astonished more than 1,000 professionals of the industry with unprecedented pioneer concepts while meeting consumers’ needs for fashion at the same time. Ms. Huang Qiaolian, designer-in-chief of Bosideng, pointed out that fantasy is a unique concept of beauty and brings brand new fashion experience to consumers. Highlighting the winter of this year with fantasy apparel, Bosideng will bring consumers with enjoyment of beauty.

On September 16, 2010, the grand opening of a product launch show and Bosideng MAN Spring/Summer 2011 trade fair were held and attended by more than 1,300 customers across the country to have a taste of new fashion items of the Bosideng MAN Spring/Summer 2011 product series. Returning to the theme of the spirit of modern business, “Bosideng MAN” illustrated the concept of simplicity via fashionable and unique designs as well as the quest for ego via quality and stylish designs. During the four days of the trade fair, the total amount of sales order reached RMB205 million, representing an increase of approximately 46.9% as compared to the corresponding period last year.

The first product launch show of “BOSIDENG RICCI”, a trendy apparel brand for women directly invested and operated by the Group, was held on November 18, 2010. In the Fall/Winter 2010 new product launch show, “BOSIDENG RICCI” was first shown on stage, targeting intelligent career women who are aged between 25 and 40 and in pursuit of high quality of life with sophisticated concept of beauty. The three product series of “BOSIDENG RICCI” of three different styles of “Trendy”, “Elegant” and “Unique” were introduced on stage in the product launch show. Boasting a basic spectrum of black, white, grey, beige and brown, each series was characterized by mix and match styles for building up personality and accentuating inner quality.

On March 18, 2011, the grand opening of a product launch show and Bosideng MAN Fall/Autumn 2011 trade fair, entitled “Amazing Journey”, were held and attended by more than 900 distributors across the country. The trade fair displayed a total of more than 1,100 new products. The menswear, including suit, jacket, windbreaker, T-shirt, shirt, casual wear and accessories, was designed by Bosideng’s designers in colors of blurry grey, basswood green, yellowish brown, Turkish blue and lilac purple with trendy style and delicate details. During the seven days of the trade fair, the total amount of sales order reached RMB390 million, representing an increase of approximately 36% as compared to the corresponding period last year.

On March 28, 2011, on behalf of China, the Group was the only company unveiled to the world the trends of cold-resistant apparel for 15 times. The grand opening of Fall/Autumn 2011/2012 fashion show with a theme of "Tranquillity" was held in No. 1 Workshop in D • PARK Beijing House (D • PARK 北京會所第一車間). The fashion trend this year was derived from human's sense of harmony with the nature and the care for the earth, which are the origins of human beings, and more attention will be paid on the interaction with and gratitude to the nature. In the product launch show, nearly a hundred of down apparels of Bosideng were demonstrated by a number of top models in China. The audience of the fashion sector was stunned by the fashion sense and vivid design of Bosideng's apparels.

On the same day, VETALLO Fall/Winter 2011/2012 product launch show of a high-class menswear brand under the Group, was successfully held during the China Fashion Week. It was the first product launch show of "VETALLO" after its entry into the Chinese market in 2010. To provide comprehensive clothing solutions for professionals in different sectors, "VETALLO" will display a brand new image for trendy and elegant business elites by integrating the traditional Chinese style with simple and elegant European elements.

Brand logo upgrade of "Bengen" with stronger characteristics featured a new culture of trendiness

The Group enriched the culture and enhanced the brand positioning of "Bosideng" while accelerating the independent development of other dominant brands of the Group according to the development strategies of its product portfolio. In the past two years, the Group repositioned the "Bengen" brand under separate management and achieved satisfactory performance. Capitalized on its trendy design concepts, distinct brand style, precise market positioning and scientific operational management, the sales and market share of "Bengen" brand products increased significantly and were widely recognized by the market.

In 2010, "Bengen" continued to achieve innovations, breakthroughs and changes pragmatically by implementing a series of new plans on brand upgrading, changing sales and marketing strategy and new product designs. By upgrading the brand logo from "BINGJIE" to "BENGEN", the trendy image of "Bengen" brand in 2009 was broadened in 2010 with more prominent characteristics and represented a culture of vogue. Positioned as a trendy and fashionable brand, it led a harmonious combination of fashion, environment and humans with stylish designs. In June 2010, "Bengen" held a trade fair with a strategic theme of "The Charming China, The Trendy Me（魅力中國 • 時尚看我）". It launched the "School Days（青春校園）", "Cosmopolitan Charm（都市魅惑）" and "Romance（浪漫情懷）" series targeting cosmopolitan men and women at the age of 18-30 who are young and energetic and in pursuit of trendiness and fashion. These series accentuated the openness, personality, trendiness, vibrancy and colorful designs as the themes of the brand. The spokeswoman of the brand, Jang Nara, a Korean superstar, showed up in the Changshu trade fair and performed her famous pop songs. Her demonstration in the '"Bengen" New Apparels Show 2010', with Li Zifeng, a Chinese top model, culminated the whole trade fair. The distributors were highly confident of the policy and new products of the Company and showed their excitement in placing order with the Company. The number of orders hit an unprecedented high record and the amount of order was higher than expected.

Capitalized on the transformation of brand and design, "Bengen" planned to launch TV commercials in major media such as CCTV, Hunan TV and Jiangsu TV and in commercial breaks during entertainment shows in prime time, so as to enhance its reputation of a trendy brand. According to the marketing strategy, more effort will be put in holidays including the Mid-autumn festival, National Day, Christmas, the New Year, the Chinese New Year and the Chinese Valentine's Day.

Implementing marketing strategies effectively through various promotion methods

Targeting different styles and market positions of all brands, the Group has adopted various flexible methods in 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 Higher（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", "Bengen", "Kangbo" and "Bosideng MAN", respectively.

During the reporting period, apart from launching TV commercials, the Group also has 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 spokespersons, launching outdoor advertisements and websites, shop promotion, product display and sponsoring popular videos/concerts of artists and establishing VIP membership, 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.

"Bosideng MAN" promoted its brand by fully utilizing the popularity of celebrities. The "Night of Bosideng MAN - Leehom Wang MUSIC-MAN World Tour 2010" hosted and sponsored by "Bosideng MAN" was successfully held. A great step in the cooperation of brand marketing and upgrading, the world tour is believed to be able to enhance the performance of Bosideng menswear in the menswear sector and allow "Bosideng MAN" to become a leading brand.

In the 19th China International Clothing and Accessories Fair held in March 2011, "Bosideng", "Bosideng MAN", "BOSIDENG RICCI", "BENGEN", "ROCAWEAR", which is a leading street fashion brand in the US, and "VETALLO", which is a high-class menswear brand, under the Group were shown on stage. The fair was attended by numerous professionals, merchandisers and distributors.

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

The nature of the apparel industry is fashion and creativity. Innovative and creative mind is the primary force of transformation and upgrading of the apparel industry in the future. In this regard, the Group has committed to and focused on innovative research and development and has been continuously developing technological 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 different countries to provide on-site guidance. Excellent designers have also been sent to France and Italy to study and participate in international professional exhibitions, collect latest information and improve artistry.

As an enterprise unveiling to the world the trends in winter cold-resistant clothing on behalf of China for 15 consecutive years, the Group's product designs have provided an absolute trend direction for 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 environmental friendly and ecological anti-bacterial down apparel integrating environmental protection and trendiness, and the launch of anti-bacterial down apparel with water-proof, stain-proof, anti-bacterial, fungus-resistant, odourless and self-cleaning characteristics through the application of international advanced "nano technology" in down apparel are testaments to the repeated innovations of the Group which have led to significant progress and have also driven the upgrading of the entire down apparel industry of China.

"Bosideng MAN" possesses an excellent team of designers, and also cooperates with international renowned design companies. It has launched various product lines such as casual wear, business casual wear and formal suits to provide different clothing solutions for modern gentlemen and lead to a new concept of men's clothing. "Bosideng MAN" also provides high-quality tailor-made services to customers who are not satisfied with the apparel available in the market and have their own fashion insights. By providing a design platform to show their unique style, this brand allows customers to choose their own patterns, fabrics, lining and buttons to express their unique insights and requirements to the professional designers of the Company to produce well-designed and unique apparel. It represents an optimal choice for elite men to showcase their prestigious fashion style instead of common apparel.

Minimizing inventory risk by implementing the order system

During the reporting period, the Group further enhanced the order arrangement for its down apparels. By the end of the year, approximately 12% of the sales of down apparels were conducted under the order system, which was higher than that of the last year. The Group believes the introduction and implementation of order system will effectively boost the sales of down apparels, improve the flexibility of inventory management and enhance the operating efficiency of the Group.

Starting the e-commerce platform by introducing ERP information system

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

During the reporting period, the Group established an official flagship store of various brands on mall.taobao.com and cooperated with renowned domestic and overseas e-commerce websites so as to increase market share on the internet. Based on a survey on online consumption demand, a department designated for product differentiation was established and 40 to 50 designs will be launched exclusively on the internet to cater for the demand for online consumption and distinguish online product lines from offline product lines. It will mark the transformation of the competition era from the strategy of upgrade of standardized products via traditional channels to the strategy of brand product differentiation. The Group also continued to optimize the online channel management system and official e-commerce platform. The Group gradually integrated the brands under Bosideng to join the e-commerce platform according to market characteristics. By providing online sales services of these brands to the increasing number of members, it has become the leading e-commerce platform of integrated apparel in the sector.

Optimizing retail and distribution network to strengthen brand image

The Group has restructured its retail network of down apparel businesses significantly. While eliminating and replacing substandard distributors and retail shops with unsatisfactory performance, the Group was committed to formulating a reasonable overall planning with variations for different outlets, so as to promote constructive competition among different sales regions and improve operating results. The Group made adjustments to some of its down apparel stores, increased the number of self-operating stores to be established and raised investment in brand building in response to the market condition. The Group also set higher standards in shop decoration and product display. The layout, lighting effects, furniture, services, decoration and ambience have to conform to the standards and should be in line with fashionable trends. In addition, Bosideng menswear business put emphasis on market expansion. It has commenced to enter first tier cities as a breakthrough by leveraging on the experience of its development in second and third tier cities. The proportion of self-operating stores and franchised stores has increased while the proportion of regional distribution outlets decreased to an appropriate level.

Retail network

Retail network composition by outlet type

	As at March 31, 2011			As at March 31, 2010			Change		
Store types	**Down apparels**	**Non-down apparels**	**Total**	Down apparels	Non-down apparels	Total	Down apparels	Non-down apparels	Total
Specialty store									
– operated by the Group	**51**	**47**	**98**	7	34	41	44	13	57
– operated according to franchise agreement	**—**	**477**	**477**	—	56	56	—	421	421
– operated by third party distributors	**5,066**	**619**	**5,685**	3,289	343	3,632	1,777	276	2,053
Subtotal	**5,117**	**1,143**	**6,260**	3,296	433	3,729	1,821	710	2,531
Retail outlets									
– operated by the Group	**1,062**	**59**	**1,121**	988	39	1,027	74	20	94
– operated according to franchise agreement	**—**	**300**	**300**	—	43	43	—	257	257
– operated by third party distributors	**1,400**	**354**	**1,754**	1,336	244	1,580	64	110	174
Subtotal	**2,462**	**713**	**3,175**	2,324	326	2,650	138	387	525
Total	**7,579**	**1,856**	**9,435**	5,620	759	6,379	1,959	1,097	3,056

Retail network composition by geographic location

	As at March 31, 2011			As at March 31, 2010			Change		
Sales areas*	**Down apparel**	**Non-down apparel**	**Total**	Down apparel	Non-down apparel	Total	Down apparel	Non-down apparel	Total
Northern China areas	**4,052**	**898**	**4,950**	3,262	404	3,666	790	494	1,284
Eastern China areas	**1,817**	**423**	**2,240**	1,189	181	1,370	628	242	870
Central China area	**1,710**	**535**	**2,245**	1,169	174	1,343	541	361	902
Total	**7,579**	**1,856**	**9,435**	5,620	759	6,379	1,959	1,097	3,056

* Northern China areas: Beijing, Chongqing, Gansu, Guizhou, Hebei, Heilongjiang, Inner Mongolia, Jilin, Liaoning, Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Sichuan, Tianjin, Tibet, Xinjiang, Yunnan

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

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

Financial Review

Revenue

Branded down apparel business remained the largest contributor which accounted for 80.7% of the Group's revenue, with the remaining 10.9% and 8.4% coming from the OEM management business and non-down apparel business, in comparison with 81.7%, 11.3% and 7.0%, respectively in the previous year.

The Group's revenue for the year ended March 31, 2011 increased by 22.7% year-on-year to approximately RMB7,037.8 million. This was mainly due to the flexible pricing strategy of down apparel business to suit the market needs and the continued expansion of non-down apparel business. Sales of the Group's branded down apparel business, the OEM management business and non-down apparel business increased by 21.1%, 18.8% and 46.5% to approximately RMB5,679.7 million, RMB768.7 million and RMB589.4 million, respectively.

Sales analysis by products

	Year ended March 31,				
	2011		2010		
		% of		% of	Changes
	(RMB million)	**total revenue**	(RMB million)	total revenue	(in %)
Branded down apparel					
• Self-owned	**1,732.0**	**24.6%**	1,477.4	25.7%	17.2%
• Wholesales	**3,936.0**	**55.9%**	3,204.4	55.9%	22.8%
• Others*	**11.7**	**0.2%**	7.1	0.1%	64.8%
Total down apparel revenue	**5,679.7**	**80.7%**	4,688.9	81.7%	21.1%
OEM management	**768.7**	**10.9%**	646.8	11.3%	18.8%
Non-down apparel					
Menswear apparel					
• Self-owned	**100.0**	**1.4%**	45.0	0.8%	122.2%
• Wholesales	**484.5**	**6.9%**	357.4	6.2%	35.6%
Total menswear apparel revenue	**584.5**	**8.3%**	402.4	7.0%	45.3%
Others#	**4.9**	**0.1%**	—	—	N/A
Total non-down apparel revenue	**589.4**	**8.4%**	402.4	7.0%	46.5%
Total revenue	**7,037.8**	**100.0%**	5,738.1	100.0%	22.7%

* *Represents sales primarily of raw materials related to down apparel products.*

Represents sales of non-down apparel which other than products of "Bosideng MAN"

A majority of the Group's products were branded down apparel sold through wholesales model, it accounted for 69.3% of the Group's branded down apparel revenue, compared to 68.3% in the previous year.

To further optimize the product mix and increase profitability, the Group has adopted a "non-seasonal product" development. The Group has opened 7 consignment counters in major cities including Beijing, Shanghai and Hangzhou for the franchise project of "ROCAWEAR" and started to develop the "D.D. Cat" brand of kids wear in March 2011. For the year ended March 31, 2011, the non-down apparel contributed 8.4% or approximately RMB589.4 million to the Group's revenue. "Bosideng MAN" was the highest contributor and contributed 99.2% to the Group's non-down apparel revenue.

Revenue analysis of down apparel sales by brand

	Year ended March 31,				
	2011		2010		
Brands	**(RMB million)**	**% of branded down apparel sales**	(RMB million)	% of branded down apparel sales	Changes (in %)
Bosideng	**3,554.2**	**62.6%**	2,900.3	61.9%	22.5%
Snow Flying	**1,146.2**	**20.2%**	886.6	18.9%	29.3%
Bengen	**410.9**	**7.2%**	386.4	8.2%	6.3%
Kangbo	**572.5**	**10.1%**	526.9	11.2%	8.7%
Other brands	**40.7**	**0.7%**	18.3	0.4%	122.4%
Others	**11.7**	**0.2%**	7.1	0.2%	64.8%
Subtotal	**5,736.2**	**101.0%**	4,725.6	100.8%	21.4%
Sales rebates	**(56.5)**	**(1.0)%**	(36.7)	(0.8%)	54.0%
Total down apparel reveune	**5,679.7**	**100.0%**	4,688.9	100.0%	21.1%

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 "Bengen" branded apparel offer colourful, youthful down apparel lines for mainly men and ladies, respectively, and are targeted at the mass market. As a result of such brand positioning strategy, "Bosideng" branded apparel remained the highest contributor and contributed 62.6% or approximately RMB3,554.2 million to the total branded down apparel sales. "Snow Flying" branded apparel contributed 20.2% or approximately RMB1,146.2 million of the total branded down apparel sales. "Kangbo" and "Bengen" recorded revenues to approximately RMB572.5 million and RMB410.9 million, which represented 10.1% and 7.2% of the total branded down apparel sales, respectively.

Cost of sales and gross profit

Under the pressure of increasing labour cost and raw material cost, the Group's cost of sales as a percentage of revenue increased from 49.7% of the Group's revenue or RMB2,851.5 million in the previous year to 53.1% of the Group's revenue or RMB3,738.4 million this year.

The sales margin of branded down apparel, OEM management and non-down apparel business for the period under review was 50.4%, 16.7% and 52.7%, respectively, compared to last year for branded down apparel, OEM management and non-down apparel business was 54.1%, 22.0% and 51.4%, respectively.

Distribution expenses

The Group's distribution expenses, mainly comprising advertising, promotion, concessionaire fees and salary and welfare, amounted to approximately RMB1,706.6 million, representing an increase of 27.0%, compared with approximately RMB1,343.4 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 24.2% of total revenue, signifying a slight rise of 0.8 percentage points compared with 23.4% 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 RMB207.2 million, a decrease of 12.1%, compared with approximately RMB235.8 million in the previous year. The decrease mainly resulted from the reversal for the recovery of amounts charged to bad and doubtful debts' provided for same period last year. During the year under review, administration expenses accounted for 2.9% of the Group's revenue, representing a decrease of 1.2 percentage point as compared with 4.1% in the same period last year.

Operating profit

During the year under review, the Group's operating profit increased by 13.8% to approximately RMB1,372.0 million. Operating profit margin was 19.5%, a slight decrease of 1.5 percentage points as compared to that of the previous year was mainly due to labour cost and raw material cost continuously rising.

Finance income

The Group's finance income for the year under review increased to approximately RMB142.2 million from approximately RMB75.4 million in the previous year. The increase was due to interest income on available-for-sale financial assets and the rise in interest rate of bank deposits.

Finance expenses and taxation

The Group's finance expenses for the year under review increased by 286.9% to approximately RMB13.4 million due to bank borrowings raised in Hong Kong during the year.

For the year ended March 31, 2011, income tax expenses increased from approximately RMB198.9 million to approximately RMB228.7 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 and special dividends

The Board has recommended the payment of a final dividend of RMB6.8 cents per ordinary share for the year ended March 31, 2011. In addition, in consideration of the progress of acquisitions, mergers or cooperation for the coming year, the Board has recommended the payment of a special dividend of RMB6.0 cents per ordinary share. 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, 2011 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 June 28, 2011. Upon shareholders' approval, the proposed final and special dividends will be paid on or around September 12, 2011 to shareholders whose names appear on the register of members of the Company on September 6, 2011.

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, 2011, the Group's net cash generated from operating activities amounted to approximately RMB49.5 million, compared to approximately RMB1,605.2 million as at March 31, 2010. Cash and cash equivalents as at March 31, 2011 was in the amount of approximately RMB1,417.6 million, compared to approximately RMB3,127.6 million as at March 31, 2010. The decrease in cash and cash equivalents was due to the cash used in prepayment to suppliers for preferential price and stable supply of raw material and the payment of final dividend for the financial year ended March 31, 2010 and interim dividend for the six months ended September 30, 2010.

In order to maximize returns on the Group's available cash reserves, the Group had available-for-sales financial assets, which comprised principal guaranteed short-term investments with banks in the PRC. Available-for-sale financial assets have expected but not guaranteed returns ranging from 3.3% to 6.0% per annum.

As at March 31, 2011, the Group had bank borrowings amounted to approximately RMB586.9 million (2010: Nil). The gearing ratio (total debt/total equity) of the Group was 8.4% (March 31, 2010: Nil).

Contingent liabilities

As at March 31, 2011, the Group had no material contingent liabilities.

Capital commitments

As at March 31, 2011, the Group has capital commitments in respect of plant, property and equipment outstanding which amounting to approximately RMB231.9 million (March 31, 2010: Nil).

Operating lease commitment

As at March 31,2011, the Group had a non-cancellable operating lease commitments which amounting to approximately RMB429.4 million (March 31, 2010: approximately RMB290.4 million).

Pledge of assets

As at March 31, 2011, bank deposits amounting to approximately RMB760.4 million had been pledged to secure the Group's bank loans and banking facilities in relation to bills payable and letter of credit (March 31, 2010: approximately RMB2.2 million).

Financial management and treasury policy

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

Foreign currency exposure

The business operations of the Group 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, 2011, 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, 2011, the Group had approximately 2,690 full-time employees (March 31, 2010: 1,926 full-time employees). Staff costs for the twelve months ended March 31, 2011 (including Directors' remuneration in the form of salaries and other allowances) was approximately RMB398.1 million (2010: approximately RMB 298.6 million). This increase was mainly due to the increase of headcount to develop non-down apparel business including "Bosideng MAN", "BOSIDENG RICCI" and "ROCAWEAR" so as to support the expansion of the specialty stores operated by the Group. The Group's salary and bonus policy is primarily based on duties, performance and length of service of each individual employee with reference to the prevailing market conditions.

To provide a comfortable and harmonious living environment to employees, the Group renovated the staff dormitory according to the standard of three-star hotel. Each room is equipped with television, telephone, internet cable and air-conditioner and provided with hotel-style management services. The renovation project was completed in June 2010 and all testing and examination were passed. University graduates, professional technicians and management members who come from other cities and do not possess a living place in Changshu are entitled to apply for accommodation once being employed by the Company. Currently, all employees are living in the dormitory.

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

As at March 31, 2011, no share option was granted by the Group under the Share Option Scheme.

Business Outlook

Going forward, the Group holds a cautiously positive outlook. The local consumption pattern and spending power will keep improving in the next one or two decades, and the development of apparel industry of the PRC is stepping towards a new era with a new focus on brand development and upgrading after the expansion of market scale. The Group will 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. These initiatives will be carried out to ensure that its 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 continue to increase the proportion of the non-down apparel business to overall sales and further expand international distribution channels and optimize the international sales network, so as to 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:

Speeding up the development of non-down apparel businesses

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

As the top priority in the development of non-down apparel businesses, the Group will focus on the sound development of "Bosideng MAN" in order to achieve stable and rapid growing results and high recognition so as to become a leading menswear brand in the PRC.

After the first product launch show in China, the company of "ROCAWEAR" has selected outlet locations and sales network. Leveraging on its current expansion plan into major cities such as Beijing, Shanghai, Tianjin and Chongqing, "ROCAWEAR" will strive to set up more than 300 "ROCAWEAR" freestanding stores and shop-in-shop in Greater China Region by 2013 with a target to develop "ROCAWEAR" into a fashion leading brand within 3 to 5 years.

As a trendy ladies' wear brand directly invested by Bosideng Group, "BOSIDENG RICCI" is the key project of the Group under the strategy of diversification and new brand development. Bosideng has already expanded into menswear and casual wear with outstanding results. The Group plans to develop sales channels mainly in Eastern China areas and expects to set up approximately 100 stores within 3 years.

The Group will strive to open 150 to 200 new outlets of "Mogao" brand annually in the next five years by leveraging on the existing management team of the Group and resources as well as the reputation of Bosideng as a leading brand name in the domestic appeared industry. The number of outlets is expected to be approximately 1,300 throughout China in 2015, turning it into a leading domestic brand of trendy casual wear. As for the four brands including "D.D Cat", "Mikyo", "r100" and "M&Q" under Lanboxing, the Group plans to open 150 to 200 new outlets each year. The total number of outlet is expected to be 2,000 throughout China in 2015, turning them into leading domestic kid's wear brands.

After the first product launch show in China, "VETALLO" brand, an international high-end brand of menswear under the Group, has moved on with its preparation work, including selection of store location so as to introduce the brand to domestic customers and commence its operation in the Greater China Region as soon as possible.

The Group will also enlarge its brand and product portfolio by actively identifying non-down apparel brands with growth potential and good reputation for acquisitions, mergers or cooperation. It will 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.

Promoting brand portfolio strategy to enhance brand value

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

Based on the planning of its brand portfolio development strategy, the Group repositioned "Bengen" under independent management. "Bengen" brand has developed rapidly in these two years and recorded a significant growth in operating results. Therefore, the Group will continue to formulate reasonable plans on general operational management of each brand under the Group and promote the development strategy of its brand portfolio in the next few years. The Group will further enrich the cultural significance 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 (such as "Bosideng MAN") 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", "Bengen", "ROCAWEAR" and "BOSIDENG RICCI".

Enhancing design and research and development capabilities of green fashion

Creative and innovative designs contribute to the establishment of an excellent brand, and a leading brand in market trend can lead to the transformation and upgrading of the apparel industry. The Group will continue to expand and strengthen its research, design and development team. The Group has also planned to cooperate with local and international renowned research institutions to develop and apply new fabric, which aims to raise the product competitiveness and added-value of the brand. The Group will create and offer space and platform for its designers to develop their art potential and stimulate their inspiration. Their design capabilities will also be enhanced 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 by leveraging on its excellent and innovative design capabilities.

Nowadays, as low-carbon practice has become one of the business values in the international supply chain, different industries have been formulating their own environmental friendly low-carbon practices. The apparel industry is no exception. Market demand for low-carbon textiles will be growing and development of low-carbon textiles and green textiles has become key strategies for development of apparel brands in the global market. Low-carbon practice has become the driver for the upgrade of the industry. As a leader in the industry, it is a responsibility of Bosideng to promote the development of the PRC apparel industry. The Group will further strengthen the research and development of environmental friendly products with low-carbon, aiming to reduce the consumption of materials and carbon emission substantially by using advanced technology, so as to show the international apparel industry the contribution of the PRC apparel industry towards environmental protection.

Increasing market share by strengthening marketing efforts

The Group will further increase its marketing efforts based on the demand of customers in order to effectively expand the market and increase its market share for maximizing the profitability of the Group. Depending on the different styles and market positioning of various brand products, the Group will selectively adopt various flexible strategies to promote each of the brands under the Group. Apart from the original promotion methods such as media commercials, launching outdoor advertisements, organizing product launch shows, appointing celebrities as spokespersons, sponsoring sports events, outdoor advertisements and websites, shop promotion and product display, 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 as well as providing high added-value services, including VIP membership and tailor-made services, so as to demonstrate the positioning and product images of each brand under the Group in a comprehensive way, enhance the vitality and influence of the brand and increase the market shares of its products.

The Group will increase efforts in expanding sales channels and building its image. In addition to plotting distribution networks appropriately, including the proportion and geographical location of different types of stores, the Group will also engage famous store designers to design a more stylish image and expand the number of large flagship stores in major cities in due course. The flagship stores 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 utilize 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 outlets of "Bosideng MAN" is expected to grow in a more rapid pace and increase to approximately 1,100 in 2012, and the proportion of self-operating stores and franchised stores will also increase. For "ROCAWEAR" brand business, it is planned to open more than 300 "Rocawear" freestanding stores or shop-in-shop in the Greater China Region by 2013. For "Mogao" brand and the brand of kids wear under Lanboxing is expected to open 150 to 200 stores in every year. "BOSIDENG RICCI" plans to focus on establishing sales networks in Eastern China.

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

Optimizing information system to search for optimized inventory turnover rate

Overstocking is a common problem of the apparel industry, affecting the liquidity and development of companies. The Group regards highly the importance of inventory control and management and its inventory level of finished products is lower than other industry players. The Group will further decrease the inventory level and optimize the inventory turnover rate through the improvements in product design, sales channels and logistics. As a part of the inventory management of Bosideng, no separate warehouses are provided for supermarkets, shopping malls and sales outlets, and products are centrally distributed by regional logistic centers. Frontline staff members are required to closely monitor the stock level and keep abreast with the latest information of the best selling styles, colors and sizes of the particular seasons and report on the sales performance in time, which will be used as the indicators of future orders, in order to lower the inventory risks. However, this also imposes a stringent requirement on the ERP system of the Group. A convenient and effective information system providing timely, accurate and complete information is the key for maintaining efficiency of operations, including replenishment, distribution and replacement and lowering the inventory risk. Therefore, the Group will further optimize its information system and expand its coverage.

During the reporting period, the order system of down apparel products launched by the Group to replace the original product return system achieved satisfactory result. The number of customers of the order system increased to 136 from 15 in previous year. Proportion of customers of the order system to the total number of customers is expected to increase from 12% in this year to approximately 25% in 2011/2012. The Group intends to further promote this system and expects to remove the original product return system within 3 years so as to increase the sales of down apparel products and lower the inventory risks.

Closure of Register of Members

The register of members of the Company will be closed from (i) August 23, 2011 to August 26, 2011 and (ii) September 1, 2011 to September 6, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to (i) determine the identity of the members who are entitled to attend and vote at the forthcoming annual general meeting and (ii) qualify for the proposed final and special dividends payable on September 12, 2011, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. (i) on August 22, 2011 and (ii) on August 31, 2011, respectively.

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, 2011.

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, 2011, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Board will also continue to review and monitor the practices of the Company for the 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, 2011.

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, 2011 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 (http://www.hkexnews.hk) and the Company (http://company.bosideng.com). The annual report for the year ended March 31, 2011 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, June 28, 2011

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