



Bosideng International Holdings Limited

**2011/12 Annual Results
Presentation**



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Agenda

- **Results Highlights**
- **Financial Review**
- **Business Review**
- **Future Plans and Strategies**



Results Highlights

2011/12 Annual Results Highlights

- ① **Revenue increased by 19.0% to RMB8,376.1 million**
- ② **Non-down apparel contribution to total revenue increased from 8.4% to 16.1%**
- ③ **Gross profit margin improved by 3.1 percentage points to 50.0%**
- ④ **Net cash position of approximately RMB3,722.6 million**
- ⑤ **The Board recommends a final dividend of HKD 12.0 cents**
- ⑥ **Optimized non-down apparel business via acquisition of sizeable ladies' wear brand *JESSIE***



Financial Review

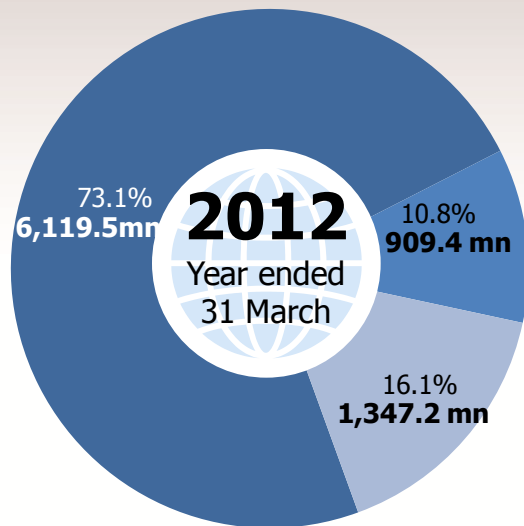
Financial Highlights

(RMB mn)	For the year ended 31 March		Change
	2012	2011	(%)
Revenue	8,376.1	7,037.8	+19.0
Gross profit	4,188.6	3,299.4	+27.0
Gross profit margin (%)	50.0	46.9	+3.1 p.p.
Profit from operations	1,621.4	1,372.0	+18.2
Operating margin (%)	19.4	19.5	(0.1 p.p)
Profit before tax	1,721.7	1,500.7	+14.7
Profit attributable to equity holders of the Company	1,436.6	1,276.4	+12.6
Net margin (%)	17.2	18.1	(0.9 p.p.)
Earnings per share (RMB cents)			
– Basic and diluted	18.29	16.42	+11.4
Dividend per share (RMB cents)			
– Interim	3.8	6.5	(41.5)
– Final	9.8*	6.8	+44.1
– Special	-	6.0	-
– Full year	13.6	19.3	(29.5)

* Final dividend is HKD 12.0 cents per ordinary share, equivalent to approx. RMB 9.8 cents per ordinary share based on the exchange rate of The People's Bank of China on June 21 2012

Revenue Analysis

Revenue:
RMB 8,376.1 mn

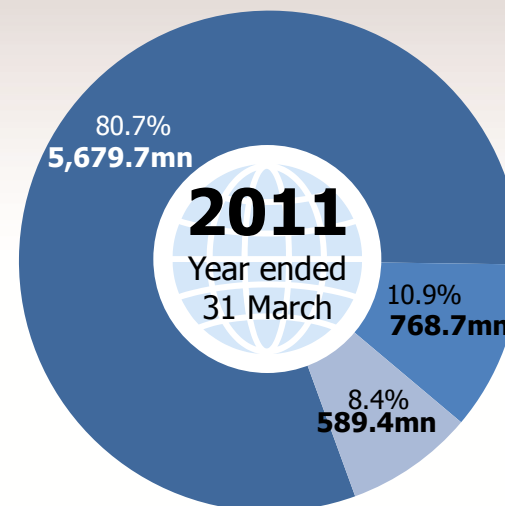


■ Branded down apparel

■ OEM Management

■ Non-down apparel

Revenue:
RMB 7,037.8 mn



Down apparel :

- Introduction of innovative down products
- Multi-brand stores converted into mono-brand stores

OEM management :

- Full utilization of the Group's resources during the off-peak season period of down apparel

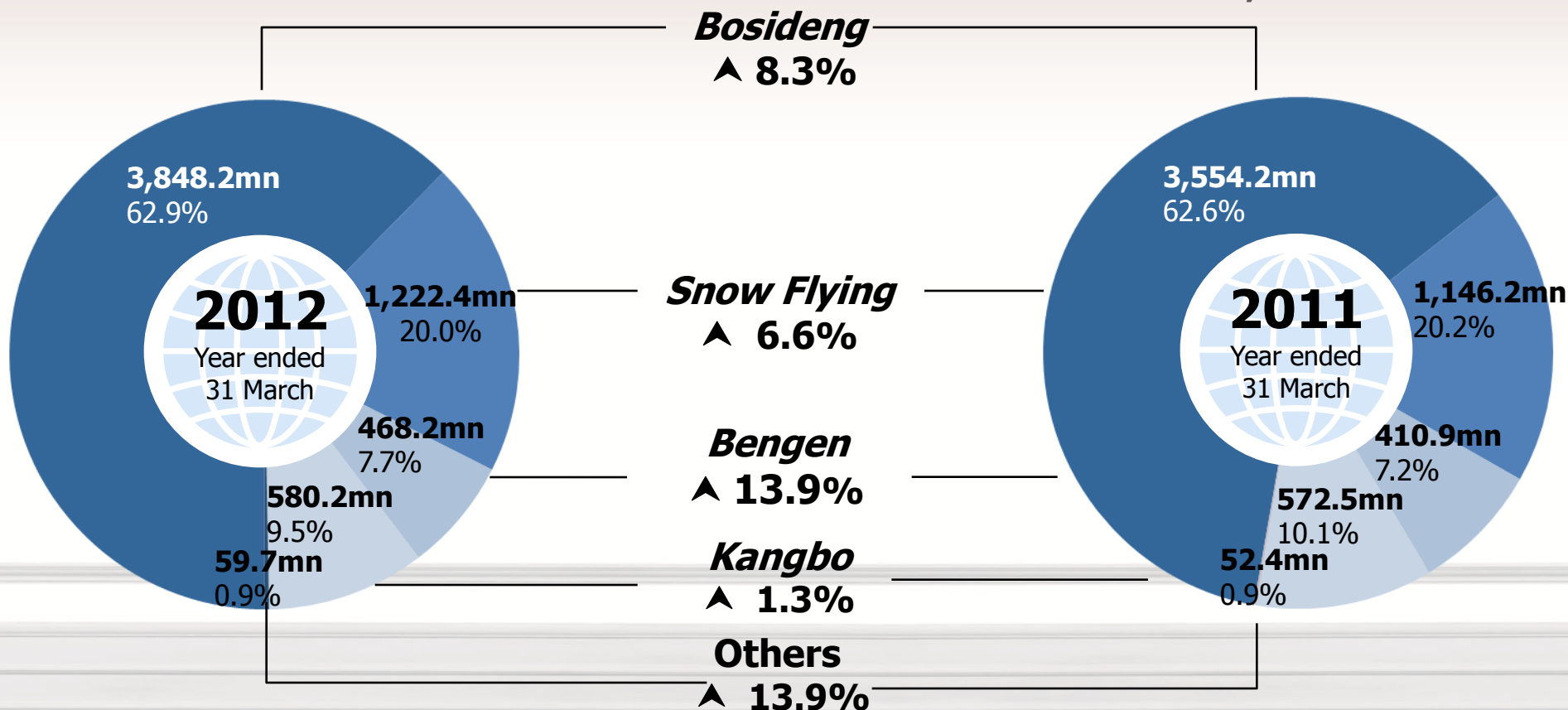
Non-down apparel :

- More diversified source of non-down apparel revenue with acquisition of JESSIE
- Existing brands (*Bosideng MAN, Mogao*, etc.) continue to grow

Breakdown of Down Apparel Income

Sales*:
RMB6,178.7 mn

Sales*:
RMB5,736.2 mn

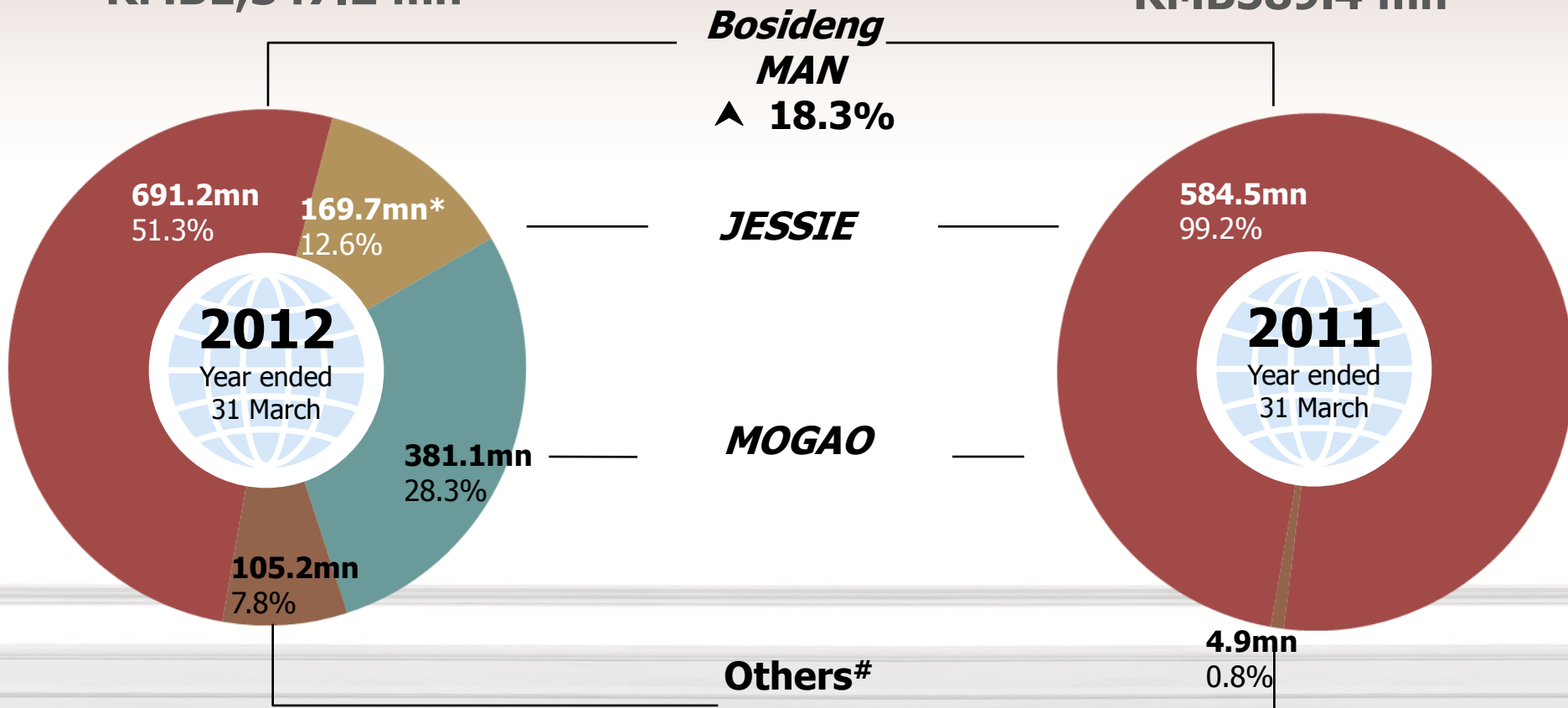


*Sales rebates are not deducted from the total down apparel revenue or from revenues of each brand
Sales rebates for the year ended March 31, 2012 and 2011 were RMB59.2mn and RMB 56.5 mn respectively

Breakdown of Non-Down Apparel Income

Sales:
RMB1,347.2 mn

Sales:
RMB589.4 mn



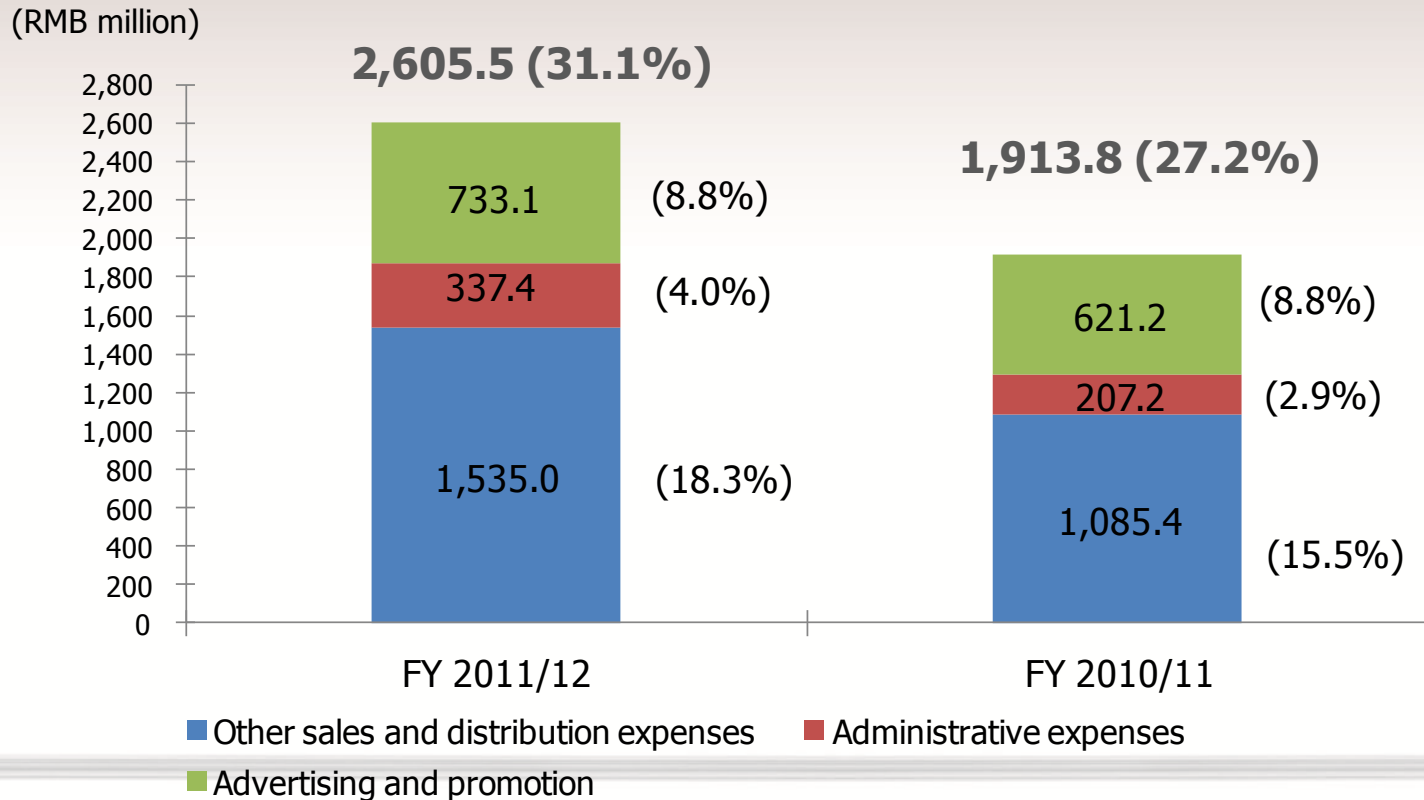
* Represents revenue contribution from November 4, 2011 to March 31, 2012

Other brands include VETALLO, Bosideng RICCI, and Lanboxing, etc.

Gross Profit Margin Analysis

	Year ended 31 March		
	2012	2011	Change
	GP margin (%)	GP margin (%)	(% points)
Branded down apparel	54.7	50.4	+4.3
OEM Management	19.5	16.7	+2.8
Non-down apparel	49.3	52.7	(3.4)
The Group	50.0	46.9	3.1

Operational Expenditure



Inventories

	As at March 31, 2012	As at March 31, 2011
(RMB'000)		
Raw materials	97,719	117,214
Work in progress	67,742	22,666
Finished goods	1,233,400	1,074,903
	1,398,861	1,214,783

- The order system of down apparel products launched by the Group to replace the original product return system achieved satisfactory result.
- As at March 31, 2012, approximately 25% of down apparel sales orders were conducted under the order system.

Strong Financial Position

	As at 31 March 2012	As at 31 March 2011
(RMB million)		
Cash	3,240.7	3,478.5
Bank borrowings	(1,740.7)	(586.9)
Available-for-sale financial assets/ other financial assets	2,222.6	1,519.1
Current ratio (times)	2.7	4.1
Gearing ratio (%)	23.7%	8.4%
Operating cash inflow	1,315.8	49.5

- ⊕ Adopted prudent funding and treasury management policies while maintaining a healthy overall financial position:
 - Cash position of approximately RMB 3,240.7 million
 - Bank borrowings amounted to RMB1,740.7 million
- ⊕ Cash, available-for-sale financial assets/ other financial assets and bank borrowings aggregated RMB3,722.6 million, as compared to RMB4,410.7 million as at March 31, 2011

Solid Working Capital Management

For the year ended

	31 March 2012	31 March 2011	Change
Average Inventory Turnover Days ⁽¹⁾	114	102	+12
Average Trade and Bills Receivables Turnover Days ⁽²⁾	33	34	-1
Average Trade and Bills Payables Turnover Days ⁽³⁾	35	38	-3

(1) Calculated as average inventory divided by cost of sales and multiplied by 365 days

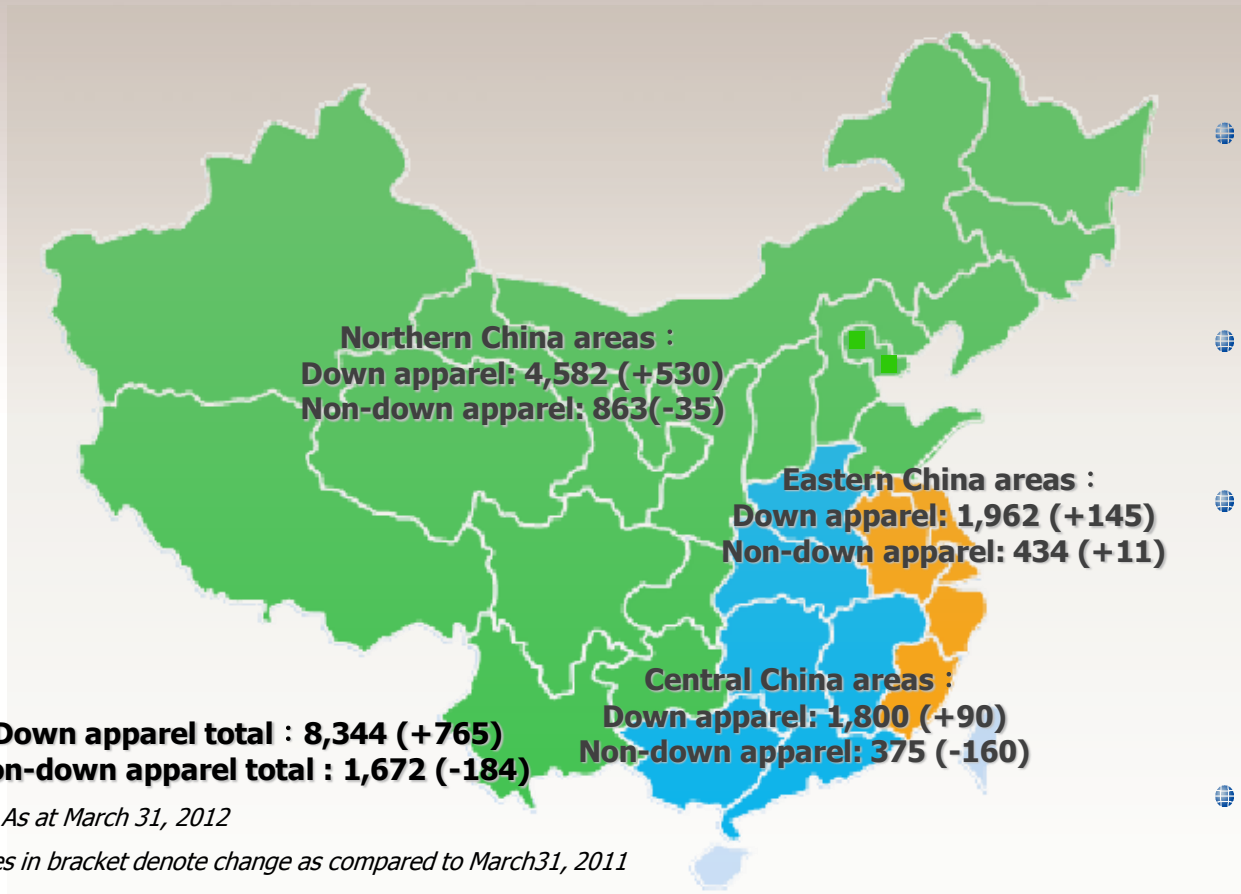
(2) Calculated as average trade and bills receivables divided by revenue and multiplied by 365 days

(3) Calculated as average trade and bills payables divided by cost of sales and multiplied by 365 days



Business Review

Nationwide Retail Network



- 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

- The Group restructured the down apparel retail network by breaking up multi-brand stores into mono-brand stores
- *Kangbo* products were introduced into fourth- and fifth-tier cities and rural areas
- Optimized *Bosideng MANs* sales network by closing stores with unsatisfactory sales or locality, and opening new stores in areas with more patrons
- Additional 277 JESSIE stores after acquisition
- Decrease in non-down apparel stores due to termination of children's wear

Optimized Sales Channel Mix

- 🌐 Increase self-operated outlets helped improve profit margin

	Down apparel			Non-down Apparel		
	As at 31 March 2012	As at 31 March 2011	Change	As at 31 March 2012	As at 31 March 2011	Change
Store types						
Specialty stores	5,013	5,117	(104)	843	1,143	(300)
- Operated by the Group	67	51	+16	69	47	+22
- Operated according to franchise agreement	--	--	--	99	477	(378)
- Operated by third party distributors	4,946	5,066	(120)	675	619	+56
Retail outlets	3,331	2,462	+869	829	713	+116
- Operated by the Group	1,094	1,062	+32	360	59	+301
- Operated according to franchise agreement	--	--	--	81	300	(219)
-- Operated by third party distributors	2,237	1,400	+837	388	354	+34
Total	8,344	7,579	+765	1,672	1,856	(184)

Multi-brand Strategy - Down Apparel

Leading down apparel brand in the PRC for 17 consecutive years since 1995

Market share reached 21.2%*, which is >2.2 times of the closest external competitor



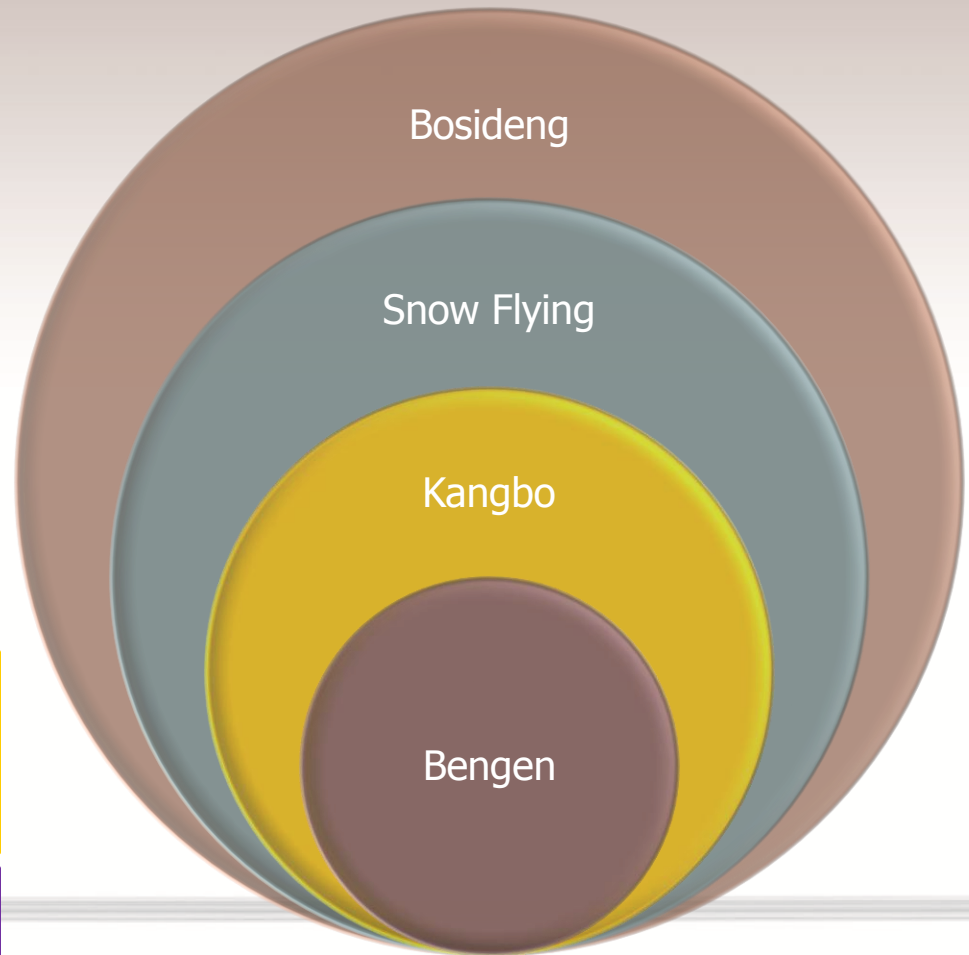
Ranked No.2 with a 9.3%* market share



Ranked No. 7 with a market share of 2.2%*



Ranked No.8 with a market share of 1.8%*



Four core brands of down apparel products achieved a combined market share of 34.5%*

Innovative Product – Autumn Apparel

- Introduced the “Autumn Down” collection during the year
- Concept of light down apparel with excellent cutting, 90% of filling and weight 260 grams
- Features the use of distinctive colors and perfectly matching fabrics
- Extended the sales period of the Group



Inventory Management

A responsive and effective integrated supply chain, reducing inventory and increasing logistics turnover rate

Implement Non-Return Policy

- Offer distributors an extra 6–16% discount on top of wholesale price, while maintaining approximately the same operating margin by terminating promotional subsidies
- Sales from distributors under the non-return policy contributed 25% to total down apparel sales in FY2011/12, significantly higher than the 12% for the previous year
- Aim to have all distributors operating under non-return policy by FY2015
- Distributors under new policy are prone to select products that better match local demand, thus improving inventory turnover

Information System (ERP)

- Providing timely, accurate sales and inventory data which ensure the efficiency of operations, including order, replenishment and distribution, hence reducing inventory level
- Unified ERP information system is shared by 90% of all stores to ensure product ordering closely mirrors the latest best-selling products in a timely manner
- Flexible small production system can quickly respond to potential demand changes

Centralized and Regional Distribution Centers

- Enhance logistical efficiency
- As a result of our enhanced delivery system, we are better positioned to react to any sudden surge in demand
- Centralized distribution center helped lowering the overall minimum inventory level
- Regional distributors centers are currently under planning

Streamline Logistics

- Elimination of separate warehouses
- All products are distributed through logistic centers



- Centralized Distribution center
 - Changshu, Suzhou
 - Total floor area of 193,430m²
 - Inventory storage capacity of 70,000m³
 - In full operation in 2012
 - Provide support for the logistics of down apparel brands

Multi-brand Strategy - Menswear

- Recorded RMB691.2 million revenue, representing a 18.3% increase over last year
- Accounted for 51.3% of non-down apparel revenue and 8.3% of total revenue in FY2011/12
- Optimized sales network by closing stores with unsatisfactory sales or locality, and opening of new stores in areas with more patrons
- Total number of stores reduced to 901 as of March 31, 2012 and improved the average store quality
- Hired a team of renowned designers from U.K. and Hong Kong to create original designs and establish a database of body measurement of Chinese males
- Advanced computerized 3D cutting technique was adopted to provide perfect fitting to customers
- New slogan for Bosideng MAN -- "Excellence in Quality and Style"



Multi-brand Strategy— Acquisition of JESSIE

- **Acquired 70% shares of Talent Shine Limited and Sunny Bright Global Investments Limited, owner of mid-to-high end ladies' wear brands *JESSIE*, at a total consideration of RMB892.5 million on October 28, 2011**
- JESSIE is a famous local mid to high-end ladies' wear brand with business and casual styles targeting office ladies aged between 28 and 45
- As at March 31, 2012, the number of outlets of JESSIE increased to 277 stores with 84 self-operated stores and 193 franchised stores. The brand will further expand its sales network and plans to open approximately 200 new stores in three years.
- JESSIE's net profit contribution for the period amounted to RMB41,562,000
- The acquisition of JESSIE strengthened the Group's non-down apparel business and enhanced the Group's revenue structure



JESSIE

E-Commerce Development

- Established an official online flagship store selling various brands on Taobao, the largest B2C online platform in China
- A dedicated e-commerce department to design and launch 40 to 50 products exclusively online
- On-line sales in FY2011/12 amounted to RMB196.2 million, representing a year-on-year growth of 74%
- Largest down apparel brand on Taobao Mall in terms of sales in 2011

<http://bosideng.tmall.com.com>



<http://bosidengman.taobao.com>



<http://shop.bosideng.com>

Effective Marketing Strategies





Future Plans and Strategies

Down Apparel Brand Positioning Differentiation

Separated our four down apparel brands, but integrated style positioning to ensure product styles are complementary to each other while maintaining own uniqueness



- Core brand, mid-to-high end
- Trendy and fashionable designs
- Positioned to raise selling price each year



- Mid-end brand
- For young generation consumers
- Sporty and energetic designs
- Positioned to raise sales volume and revenue each year

- ▲ A Dedicated Management Team
- ▲ An Innovative Development and Design Team
- ▲ A Specialized Sales Team
- ▲ Gradually Separate Sales Channels



- Low-to-mid end
- For mass market, targeting females
- Flamboyant and youthful designs
- Positioned to raise sales volume and revenue each year



- Low-to-mid end
- For mass market, targeting males
- Simple and traditional designs
- Positioned to raise sales volume and revenue each year

▲ Reduce Internal Competition

▲ Expand Consumer Reach

▲ Enhance Brand Identity and Differentiation

▲ Increase Sales Coverage and Enhance Market Share

Dominant Multi-Apparel Brand Operator

Enlarge our brand and product portfolio by actively identifying non-down apparel brands with strong brand image and growth potential.

Acquisition considerations

Revenue Structure Enhancement	Brand Reputation and Potential Growth	Management Expertise	Competitive Advantages	Complementary Fit
<ul style="list-style-type: none"> Immediate earning contributions to enhance revenue diversification Profit guarantee agreements minimize execution risk 	<ul style="list-style-type: none"> Ensure the acquired brand has a strong brand reputation and image In development stage with strong growth prospects 	<ul style="list-style-type: none"> An experienced, dedicated, and cohesive management team whose interests are aligned with those of the Group after acquisition through share exchanges, and can also provide expertise to other brands under the Group Acquisition of majority stake at initial stage to retain the core management team 	<ul style="list-style-type: none"> A sustainable competitive advantage through innovation, quality, and customer service 	<ul style="list-style-type: none"> The ability to strengthen other product team's expertise, providing an integrated selection of products targeting different consumer groups No interference with the acquired firm's daily operations

BOSIDENG MAN
波司登男装

JESSIE

mogjolo



Synergies

Preferential Accesses	Financial Support	Resources Sharing	Diversified Product Mix
<ul style="list-style-type: none"> Utilize the Group's resources to access better sales channel and better store locations, which speeds up each brand's store opening plans 	<ul style="list-style-type: none"> The Group's strong financial position to help realize and speed up expansion plans 	<ul style="list-style-type: none"> Benefit from the economies of scale of the Group's buying power in order to reduce the administrative expenses including marketing and raw materials 	<ul style="list-style-type: none"> Leverage on the competitive edges of each brand to integrate the style positioning and to lower the seasonality of the Group's merchandises with a mix of functional and stylish product lines all year round

To become a multi-apparel brand operator that covers customers from different age group and purchasing power, as well as demand for different apparel products

London Flagship Store

- The building is located at the core area of the West End of London, which is the most prosperous commercial district of London and also the largest commercial district in Europe.
- A down apparel and menswear flagship store will be opened on the ground floor. This is the Group's first flagship store in Europe.
- Flagship store scheduled to open on 26 July before the London Olympics



Better R&D and Information Management

- Enhance design capabilities
- Develop and apply new fabrics to enhance product competitiveness
- Develop innovative, stylish and environmentally-friendly products

- Expand the application and improve the information system to ensure accurate collection of information and streamlined management process
- Enhance retail image

Thank You!

