



Bosideng International Holdings Limited (3998.HK)

2013/14 Interim Results

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Agenda

- 1H Results Highlights
- Financial Review
- Business Review
- Outlook

1H Results Highlights

- Revenue dropped by 8.8% to RMB2,809.2 million
- Revenue of three business segments, namely down apparel, OEM management and non-down apparel, declined by 4.7%, 12.9% and 18.1% respectively
- Operating profit margin declined 1.6 percentage points to 12.2%, due to a higher salary expenses as the Group opened more self-operated stores
- Profit attributable to equity holders of the Company slightly increased by 3.1% to RMB326.1million due to effective cash management and the lower income tax rates enjoyed by one of the subsidiaries
- The Board proposed an interim dividend of HKD3.7 cents per ordinary share, representing a payout ratio of 71.5%

FINANCIAL REVIEW



Financial Highlights

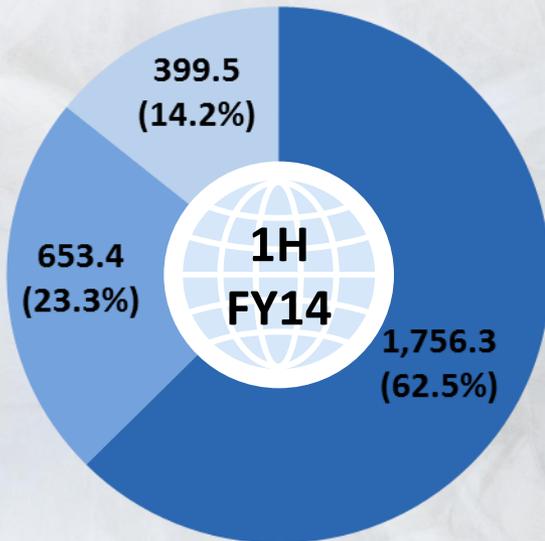
	For the six months ended Sept 30		Change
(RMB mn)	2013	2012	(%)
Revenue	2,809.2	3,080.0	-8.8%
Gross profit	1,387.1	1,403.2	-1.1%
Profit from operations	343.4	426.5	-19.5%
Profit before tax	419.0	459.3	-8.8%
Profit attributable to equity holders of the Company	326.1	316.4	+3.1%
Earnings per share (RMB cents)			
– Basic and diluted	4.10	3.97	+3.3%
Dividend per share (HKD cents)			
– Interim	3.7	6.0	-38.3%

	For the six months ended Sept 30		Change
Profitability ratios	2013	2012	(ppts)
Gross margin (%)	49.4%	45.6%	+3.8ppts
Operating margin (%)	12.2%	13.8%	-1.6ppts
Net margin (%)	11.6%	10.3%	+1.3ppts
Effective tax rate (%)	23.3%	30.9%	-7.6ppts

Revenue Breakdown

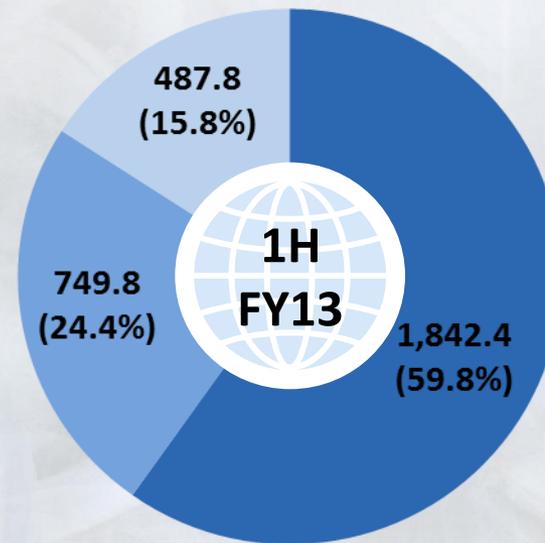
RMB 2,809.2 mn

(RMB million)



RMB3,080.0 mn

(RMB million)



■ Branded down apparel ■ OEM Management ■ Non-down apparel
(% of revenue)

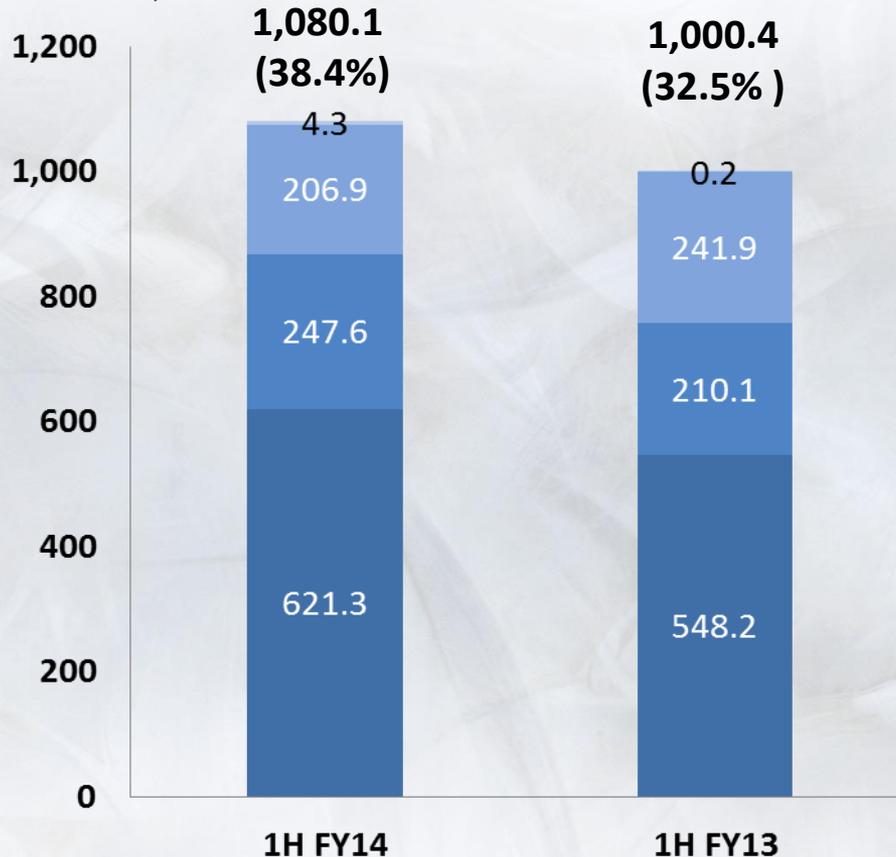
Gross Margin

	Six months ended Sept 30		Change
	2013	2012	
Branded down apparel	58.7%	56.0%	+2.7ppts
OEM Management	20.0%	18.1%	+1.9ppts
Non-down apparel	56.2%	48.5%	+7.7ppts
The Group	49.4%	45.6%	+3.8ppts

- Gross margin of down apparel business increased by 2.7ppts due to a reversal of inventory write-down; and a higher proportion of self-operated businesses revenue contribution
- Gross margin of non-down apparel business improved by 7.7ppts as the proportion of self-operated businesses revenue of each brand increased. The gross margin of JESSIE and Mogao went up to 73.7% and 51.9% from 69.1% and 40.1% respectively

Operational Expenditure

(RMB million)



■ Other Distribution Expenses ■ Administrative Expenses
■ Advertising & Promotion ■ Others
 (% of revenue)

- Operational expenses increased by 8.0%; however, operating expenses as a % to sales went up to 38.4%
- Administrative expenses went up by 17.9% due to significant increase in salary expenses and bad debt provision from down apparel business
- Other distribution expenses increased by 13.3% as the Group opened more self-operated stores and therefore hired more salesperson
- Other expenses were donation

Inventories

(RMB'000)	As at Sept 30, 2013	As at Sept 30, 2012	Change	As at Mar 31, 2013
Raw materials	305,005	249,762	+22.1%	153,948
Work in progress	378,471	429,810	-11.9%	98,478
Finished goods	2,019,641	1,598,918	+26.3%	1,718,567
Total	2,703,117	2,278,490	+18.6%	1,970,993

- Finish goods increased due to a large amount of inventory carried from FY13

Solid Working Capital Management

	For the six months ended		Change	For the year ended
	Sept 30, 2013	Sept 30, 2012		Mar 31, 2013
Average Inventory Turnover Days ⁽¹⁾	300	200	+100	134
Average Trade and Bills Receivables Turnover Days ⁽²⁾	94	77	+17	36
Average Trade and Bills Payables Turnover Days ⁽³⁾	95	78	+17	40

- Significant increase in inventory turnover days due to:
 - Large amount of inventory carried from FY13;
 - Self-operated business from both down and non-down apparel segments increased

(1) Calculated as average inventory divided by cost of sales and multiplied by 365 days/2 for 1H figures

(2) Calculated as average trade and bills receivables divided by revenue and multiplied by 365 days/2 for 1H figures

(3) Calculated as average trade and bills payables divided by cost of sales and multiplied by 365 days/2 for 1H figures

Strong Financial Position

	As at Sept 30, 2013	As at Sept 30, 2012	As at Mar 31, 2013
(RMB million)			
Cash	2,278.5	3,394.9	3,581.4
Bank borrowings	(2,468.9)	(2,620.1)	(2,656.1)
Available-for-sale financial assets/ other financial assets	1,391.6	1,291.0	2,102.8
Current ratio (times)	2.4x	2.4x	2.7x
Gearing ratio (%)	34.4%	38.1%	36.5%
Operating cash inflow/(outflow)	(1,237.0)	(736.6)	632.5

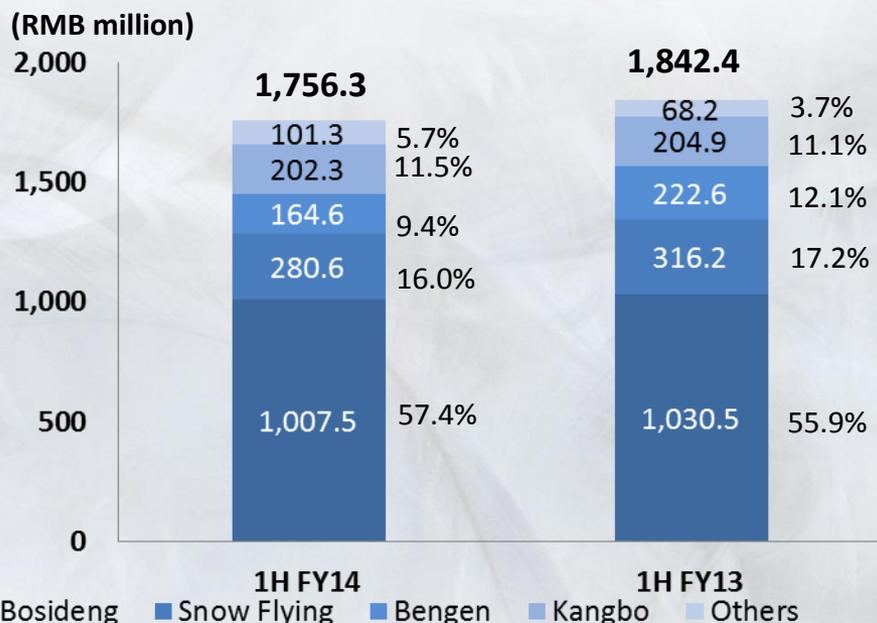
- Adopted prudent funding and treasury management policies while maintaining a healthy financial position
- Cash, available-for-sale financial assets/ other financial assets and bank borrowings aggregated RMB1,201.2 million, as compared to RMB2,065.8 million as at September 30, 2012 and RMB3,028.1 million as at March 31, 2013.

BUSINESS REVIEW

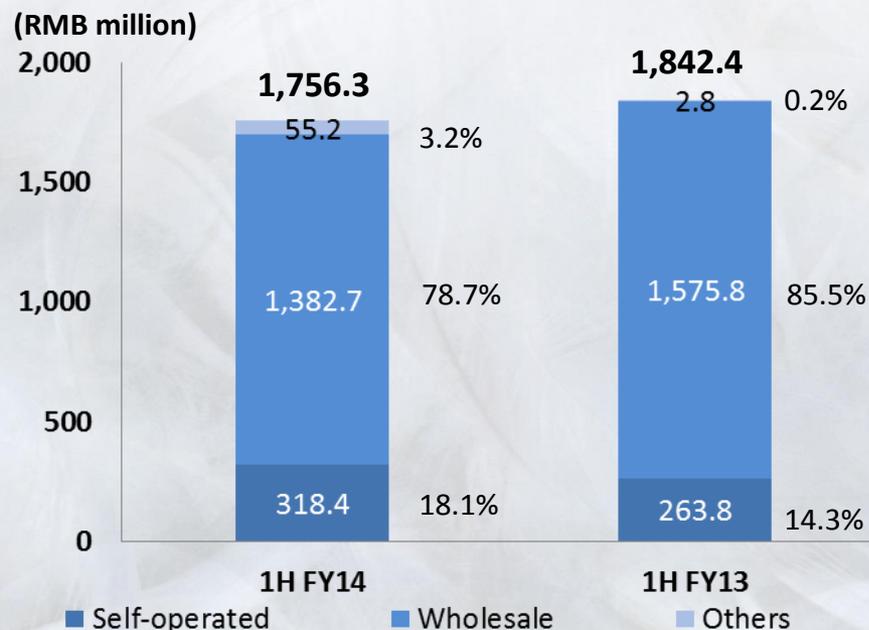


Down Apparel Business

Revenue Breakdown by Brand

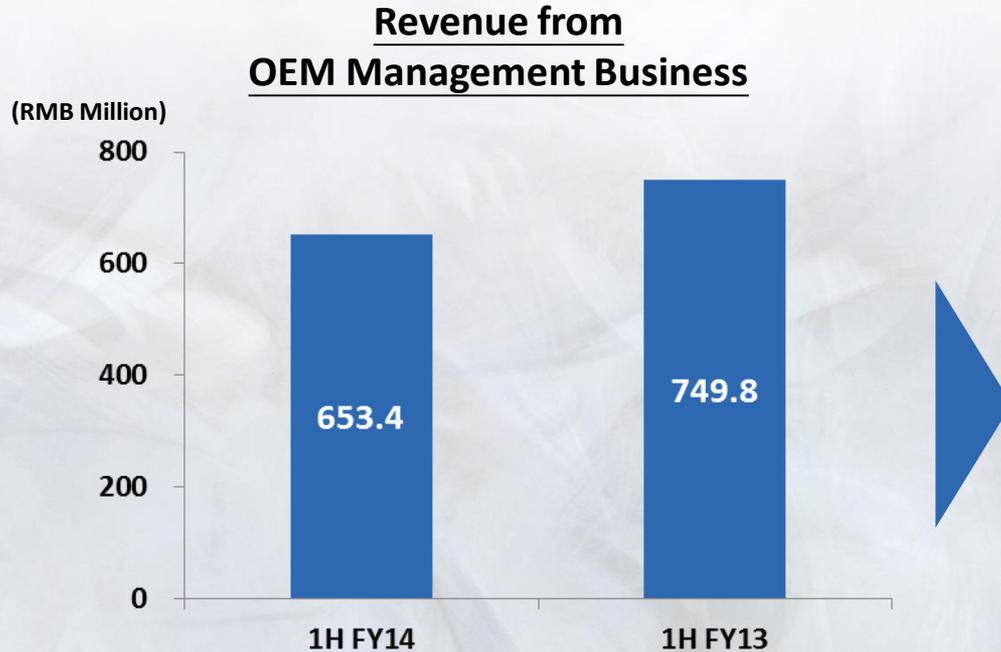


Revenue Breakdown by Business



- Revenue dropped by 4.7%
- **Self-operated business increased by 20.7%:** added 698 self-operated stores to enhance retail capability
- **Wholesale business declined by 12.3%:** distributor stores decreased by 1,042 stores

OEM Management Business

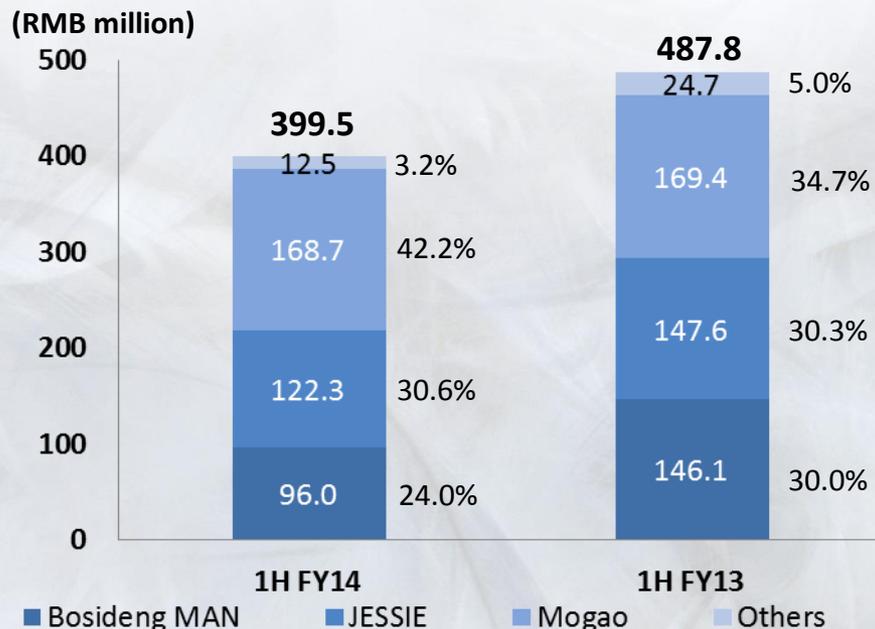


- Revenue dropped by 12.9%
- 11 OEM clients, mainly renowned US brands, top 5 clients account for 72% revenue
- Slow economic recovery in Europe and US
- Certain OEM orders were shifted to Southeast Asian countries for lower production cost. Some Southeast Asian countries have no tariff when export to US

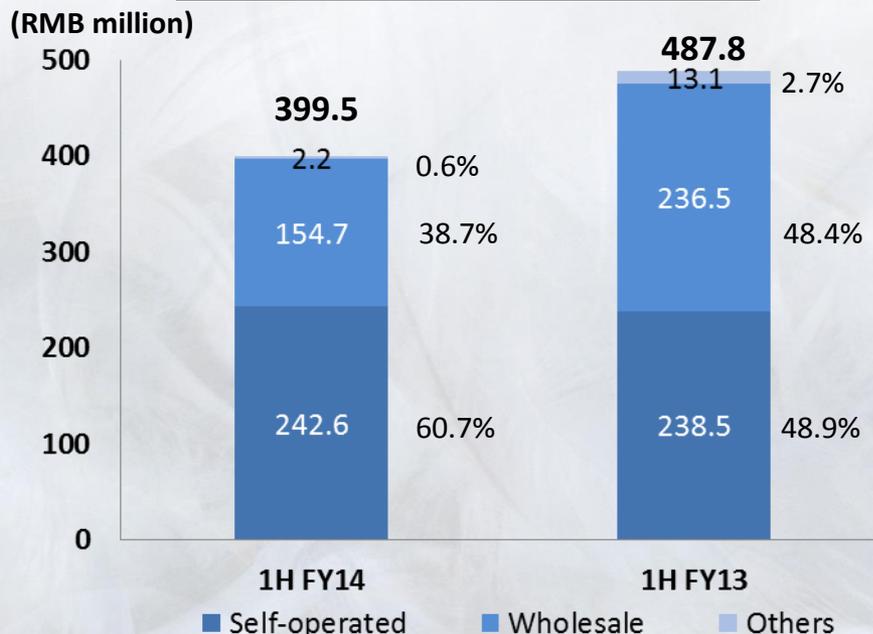
- Began export sales of self-owned down apparels to Germany and Italy through a well-known European retail operator
- Attended an international fashion trade show, PANAROMA Berlin, in Germany to explore potential business opportunities

Non-down Apparel Business

Revenue Breakdown by Brand



Revenue Breakdown by Business



- Revenue dropped by 18.1%
- Inventory clearing, adjust brand positioning and rationalize retail network were priorities
- **Bosideng MAN:** revenue declined by 34.3%, due to a net decrease of 92 stores with massive discounting and promotion to clear inventory
- **JESSIE:** revenue declined by 17.1% due to a net decrease of 27 stores, yet self-operated business improved by 24% due to better store efficiency
- **Mogao:** revenue stayed flat but gross margin improved to 51.9% from 40.1% due to a higher contribution from self-operated business

Major Tasks in 1H

1. Procurement management

- ✓ Enjoy cost advantage through:
 - Resources integration
 - Strategic partnership with suppliers
 - Low season procurement

2. Production management

- ✓ Manage production effectively and avoid overstocking through:
 - Trade fair orders plus five replenishment orders during peak seasons
 - Strong production and logistic capabilities

3. Retail network planning

- ✓ Formulate better network planning and store expansion strategy through:
 - Conduct store analysis during low season
 - Streamline stores according to city tier, location of business district and store type
 - Establish channel management team

Major Tasks in 1H (Cont'd)

4. Retail transformation

- ✓ Enhance retail image, service standard and store efficiency through:
 - Staff evaluation and training
 - Retail squad

5. Information management

- ✓ Ensure timeliness and accurate terminal sales data for analysis through:
 - Upgrade information management system
 - Improve penetration rate of terminal systems

6. E-commerce

- ✓ Revenue increased 71.0% year on year
 - Exploration of interactive online and offline business models
 - Combating online counterfeiting

OUTLOOK



Outlook

Down Apparel Business

- Brand separation strategy
- Enhance brand differentiation

Non-down Apparel Business

- Recruit all-season apparel brand management talents
- Improve operational efficiency and management

Retail Network

- Strengthen data management and analysis
- Optimize channel composition
- Rationalize retail network

Operating Expenses

- Stringent cost control through collaborative management and job optimization

APPENDIX



Retail Network of Down Apparel Business

As at Sept 30, 2013	Bosideng		Snow Flying		Combo		Bengen		Others		Total	
	Store	Area	Store	Area	Store	Area	Store	Area	Store	Area	Store	Area
Specialty stores												
By the Group	469	83,453	223	27,665	54	5,482	-	-	4	225	750	116,825
Third party distributors	2,595	302,994	1,025	78,601	563	42,569	944	64,659	352	18,149	5,479	506,972
Sub-total	3,064	386,447	1,248	106,266	617	48,051	944	64,659	356	18,374	6,229	623,797
Concessionary retail outlets[#]												
By the Group	1,104	124,257	1,086	67,926	629	30,408	221	10,671	5	235	3,045	233,497
Third party distributors	789	87,935	685	43,040	1,004	54,927	706	37,164	207	9,748	3,391	232,814
Sub-total	1,893	212,192	1,771	110,966	1,633	85,335	927	47,835	212	9,983	6,436	466,311
Total	4,957	598,639	3,019	217,232	2,250	133,386	1,871	112,494	568	28,357	12,665	1,090,108

The unit of sales area is square meter

The Group's concessionary retail outlets are mainly counters in department stores, which are normally operated only during peak season for down apparel to cope with the seasonality of its core products.

Retail Network of Non-down Apparel Business

As at Sept 30, 2013	Bosideng MAN		JESSIE		Mogao		RICCI		Total	
	Store	Area	Store	Area	Store	Area	Store	Area	Store	Area
Specialty stores										
By the Group	23	3,853	3	322	-	-	2	265	28	4,440
Third party distributors	323	34,604	43	4,508	151	13,661	-	-	517	52,773
Sub-total	346	38,457	46	4,830	151	13,661	2	265	545	57,213
Concessionary retail outlets										
By the Group	89	5,626	114	9,134	203	25,779	21	1,327	427	41,866
Third party distributors	228	16,433	67	5,754	-	-	-	-	295	22,187
Sub-total	317	22,059	181	14,888	203	25,779	21	1,327	722	64,053
Total	663	60,516	227	19,718	354	39,440	23	1,592	1,267	121,266

The unit of sales area is square meter



Thank You!