Business Fashion

Sports Fashion

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波司登 BSD BOSIDENG

Bosideng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code : 3998

Interim Report 2008-2009

Company Profile

Bosideng International Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is the largest down apparel company in the PRC. Its retail distribution network comprises about 5,800 retail outlets covering more than 65 cities across the nation, selling down apparel under its six core brands including "Bosideng", "Snow Flying", "Kangbo", "Bingjie", "Shuangyu" and "Shangyu". Through these brands, the Group offers a wide range of down apparel products targeting various consumer segments. The Group further strengthens and expands its leading position in the PRC down apparel industry while diversifying into new products and new markets.

According to the China Industrial Information Issuing Centre ("CIIIC"), in terms of sales in 2007, "Bosideng", "Snow Flying", "Kangbo" and "Bingjie" down apparel products achieved a combined market share[#] of 39.9% in the PRC. "Bosideng" was the leading down apparel brand in the PRC for 13 consecutive years from 1995 to 2007, according to the CIIIC and the National Bureau of Statistics of China. The "Bosideng" brand was named one of China's Top 10 Brands in the World Market in 2006 by the World Confederation of Productivity Science, Chinese Association of Productivity Science and World Productivity Congress. In 2007, "Bosideng" was the only apparel brand awarded China's World Famous Brand by the PRC General Administration of Quality Supervision, Inspection and Quarantine.

Among the 30 largest down apparel brands

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Financial Highlights

- Revenue decreased by 38.1% to approximately RMB1,240.2 million
- Gross profit margin reduced by 1.2 percentage points to 30.2%
- Profit attributable to equity holders of the Company decreased by 81.4% to approximately RMB50.9 million
- Special dividend of RMB3.8 cents per ordinary share declared by the Board
- With a net cash position of approximately RMB3,491.5 million and a net cash generated from operating activities of approximately RMB253.5 million, the Group is in a very strong position to weather the global credit crisis.

Interim Results Highlights

	Six months ended September 30, 2008 Unaudited RMB'000	2007 Unaudited RMB'000	Change (%)
Revenue	**1,240,193**	2,003,314	-38.1
Gross profit	**374,868**	629,163	-40.4
Profit from operations	**18,776**	327,989	-94.3
Profit attributable to equity holders of the Company	**50,927**	274,315	-81.4
Earnings per share (RMB cents)			
– Basic	**0.64**	5.22	-87.7
– Diluted	**0.64**	4.71	-86.4

Performance Indicators

	Six months ended September 30, 2008	2007
Gross profit margin	**30.2%**	31.4%
Operating margin	**1.5%**	16.4%
Net margin	**4.1%**	13.7%

Financial Ratios

	As at September 30, 2008 Unaudited	2007 Unaudited
Current ratio (times)	**6.0**	1.1
Gearing ratio* (times)	**0**	3.9

* *Gearing ratio is calculated as total debt divided by total equity. No outstanding loans and borrowings as at September 30, 2008 (September 30, 2007: borrowings of approximately RMB1,471.1 million).*

We shape a better *World*

Management Discussion and Analysis

Market Review

In the first half of 2008, China experienced a number of serious natural disasters. In the second half of 2008, the Wall Street financial crisis broke out in the United States and affected the global economy. Although the global economic environment in 2008 has been grim, the Group believes that China's economy is poised to experience steady, relatively fast growth by the implementation of various macro-economic policies.

The competition among manufacturers of down apparel in the PRC has been fierce. Owing to the late arrival of the winter season in 2007/08, many regional down apparel manufacturers in mainland China were knocked out of the market due to high stock levels and the lack of working capital, leading to a large-scale consolidation and transformation of the down apparel market. As a result, major leading manufacturers of down apparel with strong brand advantage benefited from the market consolidation by enhancing their market share.

Business Review

Maintenance of market leadership and satisfactory performance

"Bosideng" has been the leading down apparel brand in the PRC in terms of sales for 13 consecutive years since 1995, according to the CIIIC and the National Bureau of Statistics of China. According to CIIIC's report issued in 2007, amongst the top 30 down apparel brands in China, the Group's brands, namely "Bosideng", "Snow Flying", "Kangbo" and "Bingjie", accounted for 39.9% of market share in aggregate. "Bosideng" alone accounted for 25.9% of market share in 2007 and the above four brands of the Group, namely "Bosideng", "Snow Flying", "Kangbo" and "Bingjie", were all recognised as China's top ten down apparel brands.

The Group typically experiences seasonal fluctuations in the branded down apparel revenue. The sales are generally highest from October to February of the following year (the peak sales season). In contrast, the sales are generally lowest from March to May before the Group enters into off-peak sales season from June to September when it offers promotional discounts when selling the inventories brought forward from the previous fiscal year. Under the challenging market conditions, the Group's results during the reporting period were within the expectations of the directors and senior management.

Strong brand values and marketing efforts

As a trendsetter and industry leader, the Group, on behalf of China's apparel industry, was the only one to unveil to the world the latest trends in winter cold-resistant clothing for 12 consecutive years, thereby evidencing its leading position in China's down apparel industry. "Bosideng" is the one and only apparel brand named among China's three famous brands in the world by the PRC General Administration of Quality Supervision, Inspection and Quarantine in 2007, and enjoys strong brand reputation and recognition domestically and internationally. The Group will continue to focus on brand building and marketing to convey the brand concepts and the uniqueness of the Group's products and to enhance the recognition of our products among target consumers by utilizing various promotion resources through different media and means, such as Clothing and Accessories Fairs, new product release conference, sponsorship of sporting events, engaging celebrities to be our image spokespersons, television advertising, outdoor advertising, promotions on websites, outlets and showcase.

The Group's major brand "Bosideng" targets middle-to-high-end market. The types and styles of its products emphasize chic, quality, leisure and classic designs. "Snow Flying", the second largest brand of the Group, is a premier casual sports down apparel brand targeting customers who embrace an energetic lifestyle. The Group's "Kangbo" and "Bingjie" target the low-to-middle-end market. "Kangbo" mainly provides down apparel with designs targetted generally for men, while "Bingjie" primarily presents youthful vogue down apparel for women.

Strong R&D and design capabilities to enhance product differentiation

The Group believes that enriching its product design without compromising the functional features of its down apparel is crucial to its long-term success. To enhance competitiveness, the Group continued to develop its research and development, product design and quality control system in order to maintain the core competitive edge of its products. The Group also re-adjusted its design focus from sheer functional apparel to value-added fashionable casual clothing that integrates colorful designs, new fabrics and trendy styles. The broadened range of products has optimized the Group's product portfolio, strengthened product differentiation and appealed to consumers across different age groups of varying tastes.

In line with its strategy of broadening its product offering, the Group has committed resources to enhance its product mix with the addition of versatile light-weight items that are suitable for late autumn and early spring. To further strengthen its design capability, the Group collaborated with designers in France and Korea to obtain first-hand information on the latest international trends. The Group's product design team also conducts regular research and stays abreast of the latest fashion trends by participating in various trade exhibitions and closely analysing sales performance to identify customer needs. With respect to product quality, the odorless, anti-mold and deodorant fillers are used for the Group's down apparel to ensure the quality and safety of our products. The Group pro-actively applies innovative covering materials and accessories to ensure the quality of its products.

Expansion by launching non-seasonal apparel products

To diversify existing product portfolio, further expand the market and improve profitability, the Group has formulated a development strategy of launching "non-seasonal apparel" products and established an independent non-seasonal apparel product business and product development team. In September 2008, the first non-seasonal apparel franchised store of the Group was opened in Changshu of the Jiangsu Province. On September 17, 2008, the new product debut conference "Bosideng 2008 Fashion Carnival"（波司登2008風華絕配時尚盛典）was held in Changshu of the Jiangsu Province, in which the Group's first series of non-seasonal apparel targeting the middle-to-high-end market was officially launched. It is another milestone of the development of "Bosideng" brand following the implementation of the strategy of incorporating non-seasonal products into our brand portfolio to enhance the attractiveness and trendiness of our products.

Effective supply chain management and extensive distribution network

The Group continued to exercise stringent control throughout the supply chain and effectively managed its product quality with a competitive cost structure. To strengthen its online management capability and shorten lead times to replenish products at the retail level, the Group implemented an enhancement programme to upgrade its ERP system in the reporting period. The Group also set up a professional team to optimize the Group's supply chain by scientifically managing our product orders, purchasing and replenishment. The Group will extend the coverage of its supply chain to a greater number of outlets. This facilitates more timely access to key operational data and quicker responses to market changes.

The Group's products were distributed through an extensive distribution network across the PRC. The Group continued to take pro-active measures to enhance the store image and to optimize its distribution network. Distributors which were not qualified were terminated or retail stores which under-performed and/or were small in floor area were relocated to better locations with bigger floor space.

Retail network composition by outlet type

Store types	At September 30, 2008	At March 31, 2008	Change
Specialty stores			
- Operated by the Group	31	3	+28
- Operated/Supervised by third party distributors	3,128	5,057	-1,929
	3,159	5,060	-1,901
Concessionary retail outlets			
- Operated by the Group	839	1,110	-271
- Operated/Supervised by third party distributors	1,798	947	+851
	2,637	2,057	+580
Total	5,796	7,117	-1,321

Retail network composition by geographical location

Sales regions*	At September 30, 2008	At March 31, 2008	Change
Eastern China areas	1,289	2,685	-1,396
Northern China areas	1,779	2,228	-449
Western China areas	2,728	2,204	+524
Total	5,796	7,117	-1,321

* *Eastern China areas: including Shandong Province, Eastern and South Eastern China*

Northern China areas: including Central and Northern China

Western China areas: Provinces and regions other than those in Eastern and Northern China areas

Non-exercise of the right of first refusal to acquire the Menswear Business and the Conditional Call Option Agreement

On September 26, 2008, the independent shareholders of the Company approved the non-exercise of the right of first refusal (the "Right of First Refusal") granted under the deed of non-competition dated September 15, 2007 entered into by Mr. Gao Dekang in favor of the Company. This Right of First Refusal related to the acquisition of 70% of the equity interest of Jiangsu Kangbo Apparel Co., Ltd. (the "Menswear Company") from Changshu Bosideng Fashion Co., Ltd. (an associate of Mr. Gao Dekang). The Menswear Company is primarily engaged in the design, production and sale of menswear (other than down apparel products) (the "Menswear Business"). The non-exercise of the Right of First Refusal was consistent with the views of the directors and the independent financial adviser to the Company´s independent board committee and independent shareholders, who were both of the opinion that it was not appropriate and not in the best interests of the Company and its shareholders as a whole for the Company to exercise the Right of First Refusal at that time.

Nonetheless, the Group retains the option (the "Call Option") to acquire the Menswear Business from Goldwai Holdings Limited (being the entity which will indirectly own the entire issued share capital of the Menswear Company if the Company does not exercise the Right of First Refusal) at an appropriate time in future. Such acquisition of the Menswear Business will be subject to the satisfaction of certain conditions under a Conditional Call Option Agreement dated August 29, 2008. In addition, the Call Option may be exercised only once upon the satisfaction of any of the stipulated audited net profit after tax targets of the Menswear Business during the financial year ending March 31, 2009 (being not less than RMB55 million), March 31, 2010 (being not less than RMB65 million) or March 31, 2011 (being not less than RMB75 million). The Conditional Call Option Agreement shall only be effective upon the later of (i) the date of approval by the independent board committee of the Company and the independent shareholders of the Company´s non-exercise of the Right of First Refusal, and (ii) the date on which Long Pacific (H.K.) Limited (an indirect wholly-owned subsidiary of Goldwai Holdings Limited) is registered as the sole shareholder of the Menswear Company (as evidenced in the business licence of the Menswear Company). As at the date of this report, the Conditional Call Option Agreement has not become effective. In the event that the Group decides to exercise the Call Option in the future, the directors of the Company intend to fund the acquisition of the Menswear Business from the net proceeds of its initial public offering.

Please refer to the Company´s announcement dated August 29, 2008 and the circular dated September 11, 2008 for further details of the Right of First Refusal (including the reasons for its non-exercise) and the terms of the Conditional Call Option Agreement.

Financial Review

Revenue

Revenue of the Group was mainly generated from sales of branded down apparel. This accounted for 68.0% of the Group's revenue, with the remaining 32.0% coming from the OEM management business, in comparison with 75.3% and 24.7% respectively in the same period last year.

For the six months ended September 30, 2008, the Group recorded revenue of approximately RMB1,240.2 million (2007: approximately RMB2,003.3 million), representing a decrease of 38.1% as compared with the corresponding period last year. The decrease was mainly due to the strategic sales plan to control the quantity and the selling price of inventories to be sold in the off-peak sales season in order to prevent any adverse effect on the sales of the new winter collection in the upcoming peak season. During the period under review, the gross profit margin dropped slightly to 30.2% (2007: 31.4%).

A revenue analysis of down apparel sales by brand is as below:

Brands	Six months ended September 30, 2008 (RMB million)	2008 % of branded down apparel sales	2007 (RMB million)	2007 % of branded down apparel sales
Bosideng	**417.2**	**48.8%**	793.1	52.2%
Snow Flying	**233.7**	**27.3%**	356.7	23.5%
Bingjie	**119.4**	**13.9%**	146.9	9.7%
Kangbo	**53.5**	**6.3%**	137.8	9.1%
Other brands	**28.3**	**3.3%**	54.0	3.5%
Others	**3.6**	**0.4%**	29.8	2.0%
Sub-total	**855.7**	**100%**	1,518.3	100%
Sales rebates	**(12.1)**		(10.0)	
Total down apparel revenue	**843.6**		1,508.3	

In an effort to strengthen differentiation amongst various brands, the Group adjusted its product offerings under its portfolio of brands. While "Bosideng" continues to be marketed as a medium to high-end brand, targeting those with greater consuming power and who seek trendy and fashionable designs, the "Snow Flying" brand appeals to customers who are younger with more energetic lifestyles. Regarding the contribution by brands for the six months ended September 30, 2008, "Bosideng" branded apparel remained the highest contributor and contributed 48.8% or approximately RMB417.2 million of the total branded down apparel sales. "Snow Flying" branded apparel, being the second largest contributor, contributed 27.3% or approximately RMB233.7 million.

A breakdown of the revenue by sales methods is as below:

	Six months ended September 30, 2008 (RMB million)	2008 % of total revenue	2007 (RMB million)	2007 % of total revenue
Branded down apparel				
• Outright sales	**684.8**	**55.2%**	1,276.1	63.7%
Including:				
Third party distributors				
Direct retail sales				
• Consignment sales	**155.2**	**12.5%**	202.4	10.1%
• Others*	**3.6**	**0.3%**	29.8	1.5%
Total down apparel revenue	**843.6**	**68.0%**	1,508.3	75.3%
OEM management	**396.6**	**32.0%**	495.0	24.7%
Total revenue	**1,240.2**	**100%**	2,003.3	100%

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

A majority of the Group's products were sold through outright sales, which accounted for 81.2% of the Group's total down apparel revenue, as compared to 84.6% in the same period last year. The percentage increase in the portion of consignment sales reflects our continual strategic shift to increase consignment sales as part of our branding and marketing strategy.

Cost of sales

Cost of sales for the period under review remained stable as a percentage of revenue during the period under review. It amounted to approximately RMB865.3 million, or 69.8% of the Group's revenue, as compared to approximately RMB1,374.2 million or 68.6% of the Group's revenue in the corresponding period last year. This comprised the cost of branded down apparel and the cost of the OEM management business, which accounted for 63.5% and 36.5% of the Group's cost of sales respectively, as compared to 70.0% and 30.0% in the same period last year.

Distribution expenses

The Group's distribution expenses, mainly comprising advertising, promotion, concessionaire fees and salary and welfare, amounted to approximately RMB257.0 million, a decrease of 10.5%, compared with approximately RMB287.1 million in the same period last year. The decrease in actual spending was not as fast as the decrease in revenue because the advertising and promotion costs increased sharply during the Beijing Olympics. Therefore, in terms of percentage to revenue, distribution expenses constituted 20.7% of total revenue, signifying a growth of 6.4 percentage points compared with 14.3% in the same period last year.

Administration expenses

The administrative expenses of the Group, which were mainly comprised of bad and doubtful debts provision, salary and welfare, travel and office expenses, amounted to approximately RMB105.6 million for the period under review as compared to approximately RMB37.8 million in the same period last year. The increase mainly came from the impairment of bad and doubtful debts, the increase of headcount and professional expenses after the Group's initial public offering.

Operating profit

For the six months ended September 30, 2008, operating profit of the Group was approximately RMB18.8 million compared with approximately RMB328.0 million in the corresponding period last year.

Finance income

The Group's finance income for the period under review increased sharply to approximately RMB64.0 million from approximately RMB1.9 million in the corresponding period last year. The increase was due to the interest income from bank deposits and the return from held-to-maturity investments of the unused proceeds of the Group's initial public offering.

Finance costs and taxation

The Group's finance costs for the period under review decreased sharply to approximately RMB5.9 million from approximately RMB43.0 million in the corresponding period last year due to the repayment of loans and bank borrowings after the Group's initial public offering.

For the six months ended September 30, 2008, income tax expense amounted to approximately RMB25.7 million, which is equivalent to an effective tax rate of 33.5%, as compared to approximately RMB12.5 million and an effective tax rate of 4.4% in the same period last year. The increase in income tax expense was attributable to the profit from subsidiaries without tax exemption and the non-deductible expenses incurred after the Group's initial public offering.

Liquidity and financial resources

The Group adopted prudent funding and treasury management policies and maintained a healthy financial position. The Group met its working capital and other capital requirements principally with internally generated cash flow from operating activities and the proceeds of its initial public offering.

For the six months ended September 30, 2008, the Group's net cash inflow from operating activities amounted to approximately RMB253.5 million, as compared to net cash inflow of approximately RMB365.2 million in the same period in 2007. Cash and cash equivalents as at September 30, 2008 was in the amount of approximately RMB3,491.5 million, as compared to approximately RMB4,686.2 million as at March 31, 2008. The decrease in cash and cash equivalents was due to the increase in held-to-maturity investments and the payment of final and special dividends for the financial year ended March 31, 2008.

As at September 30, 2008, the held-to-maturity investments, which are short-term investments with banks in the PRC, amounted to approximately RMB1,101.2 million (March 31, 2008: approximately RMB612.0 million), of which approximately RMB801.2 million have been fully recovered upon maturity up to the date of this report. The remaining balance is expected to mature in January 2009.

As at September 30, 2008, the Group had no outstanding loans and borrowings (March 31, 2008: RMB60.0 million). As at September 30, 2008, gearing ratio (total debt/total equity) of the Group was zero compared with 3.9 times as at September 30, 2007.

Contingent liabilities

As at September 30, 2008, the Group had no material contingent liabilities.

Pledge of assets

As at September 30, 2008, bank deposits of approximately RMB2.5 million were pledged to secure general banking facilities of the Group (March 31, 2008: approximately RMB2.6 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 fluctuation in interest rates and foreign currency exchange rates.

Foreign currency exposure

The business operations of the Group were mainly in the PRC, and the revenue and expenses of the Group were denominated in RMB. Certain of the Group's cash and bank deposits, including the proceeds from the share offer in October 2007, were denominated in Hong Kong Dollars and United States Dollars. As at September 30, 2008, the directors of the Company consider that the Group's risk in foreign exchange is insignificant. During the period under review, the Group did not use any financial instrument for hedging purposes.

Any significant exchange rate fluctuations of the Hong Kong Dollar and United States Dollar against the Renminbi may have a financial impact to the Group.

Material Acquisitions and Disposals of Subsidiaries Or Associated Companies

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the six months ended September 30, 2008.

Business Outlook

Going forward in the second half of its fiscal year, the Group is optimistic about its prospects. Although the global economic environment has been tough, the demand from Mainland China continued to grow healthily. Down apparel enterprises with strong brand equity enjoy more advantages under the intensive competition and market consolidation. The Group's goal is to maintain down apparel as its core business and offer fashionable down apparel with high quality to consumers by introducing a diverse range of products so as to further strengthen its leading position in the PRC down apparel industry and become a trendsetter. Meanwhile, the Group intends to take advantage of its strong "Bosideng" brand as well as extensive distribution network to develop non-seasonal apparel products, expand its business into the non-down apparel sector, further strengthen its profitability and develop the Group into a diversified and integrated apparel enterprise.

The Group intends to achieve these goals through a business strategy based on the following key aspects:

Improving and optimizing retail distribution network of down apparel products

The Group will further strengthen its retail network by enhancing the quality of its existing points of sale, opening new concessionary stores at modern mid to high-end department stores and establishing new self-operated retail stores in first-tier cities, provincial capitals, and other major cities for brand building purposes. The Group also plans to further enhance its overall store image through the use of standardized modern interior decor and visual merchandising as well as the further upgrading of the ERP system for the collection and analysis of sales data.

Development of non-down apparel products to expand business scope

Following the opening of the first non-seasonal apparel franchised store in Changshu of the Jiangsu Province, the Group will establish more non-seasonal apparel retail stores in first-tier and second-tier cities and continuously implement the significant transformational strategy of introducing non-seasonal products. It is expected that the number of non-seasonal apparel retail stores of the Group will increase to approximately 50 by the end of March 2009. The launch of non-seasonal products will complement the existing product portfolio of the Group and increase the market share and profitability of the Group.

Strengthening marketing efforts to further enhance brand value of the Group

The Group will continue to regularly review its branding strategies and monitor their effectiveness. The Group intends to develop into an integrated and international enterprise and its ultimate goal is to bolster the brand equity and extend the influence of the "Bosideng" brand to other segments in the apparel sector. To penetrate different market segments ahead of other industry players, the Group will continue advertizing on prime television channels, renowned publications and magazines and appear in strategic outdoor venues with high pedestrian flow, as well as strengthening the promotion of its flagship image stores in commercial prime areas. It will also continue to sponsor sports and promotional events when suitable opportunities arise and maintain market visibility through fashion shows and trade fairs.

Bolstering R&D and design capabilities to increase market competitiveness of products

The Group will continue to expand and strengthen its research, design and development team while fostering closer collaboration with domestically and internationally renowned research institutions to develop and apply new fabric materials to improve product competitiveness and add value to the brand. The Group also plans to establish a quality inspection center to ensure every segment in the supply chain complies with quality control standards so as to strengthen its product competitiveness.

Enhancing supply chain management and logistics management by upgrading management information system

The Group plans to further upgrade its management information system in phases, enhance the coverage and analytical functions of its ERP system and extend the operational scope to both upstream and downstream segments of the supply chain within three years. These system upgrades will enable the Group to comprehensively assess the performance of the entire supply chain and to expedite its response to market changes. The Group also intends to improve its quality inspection center to ensure its adherence to quality control standards at every stage of the supply chain. To facilitate swift response to market changes and timely replenishment of stocks, the Group will strengthen and upgrade its logistics management.

Explore expansion opportunities through mergers and acquisitions

By leveraging its wealth of experience in the down apparel sector and in-depth market understanding, as well as its extensive retail network in the PRC market, the Group will continue to identify opportunities for mergers and acquisitions of medium to high-end apparel brands with good development potential and reputation for broadened brand and product portfolio.

Human Resources

As at September 30, 2008, the Group had approximately 1,732 full-time employees (March 31, 2008: 1,437 full-time employees). Staff costs for the six months ended September 30, 2008 (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB69.1 million (2007: approximately RMB44.5 million). This increase was mainly due to the adoption of a share-based compensation scheme and increase of headcount to support expansion of the specialty stores operated by the Group. According to the Group's policy, salary and bonus are primarily based on the duties, performance and length of service of each individual employee with reference to the prevailing market conditions.

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

As at September 30, 2008, no share options were granted under the Share Option Scheme.

Appreciation

On behalf of the Board of Directors, I wish to express my sincere gratitude to our shareholders, distributors, customers and business partners for their continued support, and to our employees for their dedication and hard work.

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

Hong Kong, December 15, 2008

Independent Review Report

Independent Review Report to the Board of Directors of
Bosideng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 14 to 36 which comprises the consolidated balance sheet of Bosideng International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at September 30, 2008, and the related consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at September 30, 2008 has not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
December 15, 2008

Consolidated Income Statement

For the six months ended September 30, 2008

	Note	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Revenue	6	**1,240,193**	2,003,314
Cost of sales		**(865,325)**	(1,374,151)
Gross profit		**374,868**	629,163
Other income	7	**6,490**	23,681
Distribution expenses		**(257,023)**	(287,062)
Administrative expenses		**(105,559)**	(37,793)
Profit from operations		**18,776**	327,989
Finance income		**63,983**	1,875
Finance expenses		**(5,933)**	(43,027)
Net financing income/(expenses)	10	**58,050**	(41,152)
Profit before income tax		**76,826**	286,837
Income tax expense	11	**(25,746)**	(12,522)
Profit for the period		**51,080**	274,315
Attributable to:			
Equity holders of the Company		**50,927**	274,315
Minority interests		**153**	—
Profit for the period		**51,080**	274,315
Dividends	12	**698,421**	467,435
Earnings per share (RMB cents)	13		
– Basic		**0.64**	5.22
– Diluted		**0.64**	4.71

The notes on pages 19 to 36 form part of the interim financial report.

Consolidated Balance Sheet

As at September 30, 2008

	Note	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**85,955**	31,339
Deferred tax assets		**18,928**	18,928
Total non-current assets		**104,883**	50,267
Current assets			
Inventories	15	**1,074,621**	985,421
Held-to-maturity investments	16	**1,101,240**	612,000
Trade, bills and other receivables	17	**1,346,799**	1,265,704
Receivables due from related parties	25(c)	**28,591**	36,365
Prepayments for materials and service suppliers		**377,418**	262,948
Pledged bank deposits	18	**2,479**	2,578
Cash and cash equivalents	19	**3,491,467**	4,686,188
Total current assets		**7,422,615**	7,851,204
Total assets		**7,527,498**	7,901,471
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**613**	622
Reserves		**6,255,382**	7,086,721
Equity attributable to equity holders of the Company		**6,255,995**	7,087,343
Minority interests		**—**	1,239
Total equity		**6,255,995**	7,088,582

The notes on pages 19 to 36 form part of the interim financial report.

	Note	**At September 30, 2008 (unaudited) RMB'000**	At March 31, 2008 (audited) RMB'000
Non-current liabilities			
Deferred tax liabilities		**39,900**	33,000
Total non-current liabilities		**39,900**	33,000
Current liabilities			
Interest-bearing borrowings	22	**—**	60,000
Current income tax payables		**87,997**	80,000
Trade and other payables	23	**1,131,511**	617,687
Payables due to related parties	25(c)	**12,095**	22,202
Total current liabilities		**1,231,603**	779,889
Total liabilities		**1,271,503**	812,889
Total equity and liabilities		**7,527,498**	7,901,471
Net current assets		**6,191,012**	7,071,315
Total assets less current liabilities		**6,295,895**	7,121,582

Approved and authorized for issue by the board of directors on December 15, 2008.

Gao De Kang
Chairman of the board of directors

Kong Sheng Yuan
Director

The notes on pages 19 to 36 form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended September 30, 2008

	Attributable to the equity holders of the Company										
	Share capital RMB'000 (note 20)	Convertible preference shares RMB'000	Share Premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation reserves RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at March 31, 2007	5,797	–	–	29,458	68,908	1,997	(20,199)	469,237	555,198	16,086	571,284
Deemed distribution to the equity holder on acquisition of entities under common control	(5,400)	–	–	–	–	–	–	(11,655)	(17,055)	(14,991)	(32,046)
Profit for the period	–	–	–	–	–	–	–	274,315	274,315	–	274,315
Appropriation to reserves	–	–	–	–	71	–	–	(71)	–	–	–
Equity-settled share-based payment transactions (note 21)	–	–	–	6,711	–	–	–	–	6,711	–	6,711
Translation reserves	–	–	–	–	–	22,263	–	–	22,263	–	22,263
Capitalization issue of ordinary shares	19	–	–	–	–	–	–	(19)	–	–	–
Dividends	–	–	–	–	–	–	–	(467,435)	(467,435)	–	(467,435)
Balance at September 30, 2007	416	–	–	36,169	68,979	24,260	(20,199)	264,372	373,997	1,095	375,092
Balance at March 31, 2008	**622**	**–**	**6,152,974**	**27,550**	**268,322**	**(269,632)**	**–**	**907,507**	**7,087,343**	**1,239**	**7,088,582**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,927**	**50,927**	**153**	**51,080**
Acquisition of minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,392)**	**(1,392)**
Equity-settled share-based payment transactions (note 21)	**–**	**–**	**–**	**17,400**	**–**	**–**	**–**	**–**	**17,400**	**–**	**17,400**
Repurchase of ordinary shares	**(9)**	**–**	**(129,639)**	**–**	**–**	**–**	**–**	**–**	**(129,648)**	**–**	**(129,648)**
Translation reserves	**–**	**–**	**–**	**–**	**–**	**(71,606)**	**–**	**–**	**(71,606)**	**–**	**(71,606)**
Dividends	**–**	**–**	**(698,421)**	**–**	**–**	**–**	**–**	**–**	**(698,421)**	**–**	**(698,421)**
Balance at September 30, 2008	**613**	**–**	**5,324,914**	**44,950**	**268,322**	**(341,238)**	**–**	**958,434**	**6,255,995**	**–**	**6,255,995**

The notes on pages 19 to 36 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended September 30, 2008

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Net cash generated from operating activities	**253,546**	365,191
Net cash used in investing activities	**(487,200)**	(159,626)
Net cash (used in)/generated from financing activities	**(889,461)**	78,338
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(71,606)**	22,263
Net (decrease)/increase in cash and cash equivalents	**(1,194,721)**	306,166
Cash and cash equivalents at the beginning of the period	**4,686,188**	507,806
Cash and cash equivalents at the end of the period	**3,491,467**	813,972

The notes on pages 19 to 36 form part of the interim financial report.

Notes to the Interim Financial Report

1. REPORTING ENTITY AND CORPORATE INFORMATION

Bosideng International Holdings Limited (the "Company") was incorporated in the Cayman Islands on July 10, 2006 as an exempted company with limited liability under the Cayman 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 (the "Group") are principally engaged in the research, design and development, raw material procurement, outsourced manufacturing, marketing and distribution of branded down apparel products in the People's Republic of China (the "PRC").

The Company's shares were listed (the "Listing") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on October 11, 2007 (the "Listing Date").

2. BASIS OF PREPARATION

The Company has a financial year end date of 31 March. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" issued by the International Accounting Standards Board ("IASB").

The interim financial report contains the condensed consolidated financial statements and selected explanatory notes which do not include all of the information required for a full set of financial report prepared in accordance with International Financial Reporting Standards. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements dated July 18, 2008 (the "2008 Annual Financial Statements").

The interim financial report for the six months ended September 30, 2008 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors (the "Board") on December 15, 2008. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's review report to the Board is included on page 13.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared on the same accounting policies adopted in the preparation of the 2008 Annual Financial Statements and should be read in conjunction with the 2008 Annual Financial Statements.

4. ESTIMATES

The preparation of interim financial report in conformity with IAS 34 requires managements to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management, in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2008 Annual Financial Statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the 2008 Annual Financial Statements.

6. REVENUE AND SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

(a) Business segment

The Group comprises the following business 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 apparels.

For the six months ended September 30, 2008

Revenue and expenses

	For the six months ended September 30, 2008 (unaudited)		
	Down apparels RMB'000	**OEM management RMB'000**	**Group RMB'000**
Total segment revenues	**843,633**	**396,560**	**1,240,193**
Segment results	**(6,970)**	**45,035**	**38,065**
Government grants			**1,980**
Unallocated income			**11,035**
Profit for the period			**51,080**

For the six months ended September 30, 2007

Revenue and expenses

	For the six months ended September 30, 2007 (unaudited)		
	Down apparels RMB'000	OEM management RMB'000	Group RMB'000
Total segment revenues	1,508,301	495,013	2,003,314
Segment results	248,068	22,642	270,710
Government grants			12,106
Unallocated expenses			(8,501)
Profit for the period			274,315

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Geographical segment

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

7. OTHER INCOME

	Note	**Six months ended September 30, 2008 (unaudited) RMB'000**	Six months ended September 30, 2007 (unaudited) RMB'000
Royalty income	(i)	**4,510**	11,575
Government grants	(ii)	**1,980**	12,106
		6,490	23,681

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

(ii) The Group received unconditional discretionary grants amounting to RMB1,980,000 (2007: RMB12,106,000) for the six months ended September 30, 2008 from various local Chinese government authorities in recognition of the Group's contribution to the development of the local economies.

8. PERSONNEL EXPENSES

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Salaries, wages and other benefits	**46,706**	35,188
Contributions to defined contribution plans	**4,975**	2,614
Share-based payment expenses (note 21)	**17,400**	6,711
	69,081	44,513

Contributions made by the Group to pension funds are dealt with in the consolidated income statement when incurred. According to the respective pension fund regulations, the Group contributes to pension funds based on certain percentages of the average salary level according to the requirements of the various provinces in which its operations are located. The Group remits all pension fund contributions to the respective social security offices, which are responsible for the payment and liabilities relating to the pension funds. The Group has no obligation for the payment of retirement and other post-retirement benefits of employees other than the contributions described above.

9. EXPENSES BY NATURE

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

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Cost of inventories recognized as expenses included in cost of sales	**865,325**	1,374,151
Depreciation	**7,426**	4,152
Operating lease charges	**12,356**	12,214
Impairment of bad and doubtful debts	**58,130**	—

10. NET FINANCING INCOME/(EXPENSES)

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Interest income on held-to-maturity investments	**24,234**	—
Interest income on bank deposits	**39,749**	1,875
Finance income	**63,983**	1,875
Interest on convertible redeemable preference shares	**—**	(8,501)
Interest on interest-bearing borrowings and equity holder loans wholly repayable within 5 years	**(786)**	(29,929)
Bank charges	**(1,763)**	(692)
Net foreign exchange loss	**(3,384)**	(3,905)
Finance expenses	**(5,933)**	(43,027)
Net financing income/(expenses)	**58,050**	(41,152)

No interest is capitalised during the six months ended September 30, 2008.

11. INCOME TAX EXPENSE

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Current tax expenses		
Provision for PRC income tax	**18,846**	12,522
Deferred tax expenses		
Origination of temporary differences	**6,900**	—
	25,746	12,522

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

Prior to December 31, 2007

The applicable tax rates of the Group's operating subsidiaries in the PRC ranged from 27% to 33% for the calendar years ended December 31, 2007 and 2006. Pursuant to the income tax rules and regulations of the PRC applicable to foreign investment enterprises (the "FEIT Law") effective as at December 31, 2007, four principal operating subsidiaries located in the PRC, which became foreign investment enterprises in late 2006, started to be entitled to a tax holiday of a tax-free period for two years from January 1, 2007. Thereafter, they are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years.

Since January 1, 2008

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

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

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

12. DIVIDENDS

On September 26, 2008, the Company declared dividends in an aggregate amount of RMB698,421,000 (2007: RMB467,435,000) to the equity holders from the share premium for the financial year ended March 31, 2008.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended September 30, 2008 was based on the profit attributable to equity holders of the Company for the six months of RMB50,927,000 (2007: RMB274,315,000) and the weighted average number of shares in issue during the six months ended September 30, 2008 of 7,953,956,087 (2007: 5,257,199,855). The weighted average number of shares in issue during the six months ended September 30, 2007 has been retrospectively adjusted for the effects of share split and capitalization issue took place in September 2007, as if the 5,257,199,855 shares were in issue and outstanding throughout the entire six months ended September 30, 2007.

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

Earnings	**Six months ended September 30, 2008 (unaudited) RMB'000**	Six months ended September 30, 2007 (unaudited) RMB'000
Earnings for the purpose of basic earnings per share, being the profit for the period attributable to the equity holders of the Company	**50,927**	274,315
Effect of dilutive potential ordinary shares:		
Interest on convertible redeemable preference shares	**—**	8,501
Earnings for the purpose of diluted earnings per share	**50,927**	282,816

13. EARNINGS PER SHARE (Continued)

	Six months ended September 30, 2008 (unaudited)	Six months ended September 30, 2007 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,953,956,087**	5,257,199,855
Effect of dilutive potential ordinary shares:		
Weighted average conversion number of Series A convertible redeemable preference shares calculated from the date of issuance	**–**	212,228,613
Weighted average conversion number of Series B convertible preference shares calculated from the date of issuance	**–**	530,571,532
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,953,956,087**	6,000,000,000
Basic earnings per share (RMB cents)	**0.64**	5.22
Diluted earnings per share (RMB cents)	**0.64**	4.71

14. PROPERTY, PLANT AND EQUIPMENT

	2008 (unaudited) RMB'000
Cost	
Balance at April 1, 2008	**56,740**
Additions for the period	**63,168**
Disposals for the period	**(1,992)**
Balance at September 30, 2008	**117,916**
Depreciation	
Balance at April 1, 2008	**(25,401)**
Depreciation charge for the period	**(7,426)**
Disposals for the period	**866**
Balance at September 30, 2008	**(31,961)**
Carrying amount	
At September 30, 2008	**85,955**
At March 31, 2008	**31,339**

15. INVENTORIES

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Raw materials	**170,940**	27,852
Work in progress	**205,334**	10,184
Finished goods	**698,347**	947,385
	1,074,621	985,421

At September 30, 2008, inventories carried at net realizable value amounted to approximately RMB337,888,000 (March 31, 2008: RMB557,682,000).

The analysis of the amount of inventories recognized as an expense is as follows:

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Cost of goods sold	**913,477**	1,431,652
Reversal of write down of inventories to net realizable value	**(48,152)**	(57,501)
	865,325	1,374,151

16. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are short-term investments with banks in the PRC. These investments have interest rates ranging from 4.0% to 5.3% per annum and will mature in 30 to 180 days.

17. TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Trade receivables	**1,203,469**	1,048,150
Bills receivables	**8,932**	158,482
Third party other receivables		
• VAT recoverables	**82,222**	18,466
• Deposits	**8,553**	22,046
• Advance to employees	**17,198**	11,002
• Others	**26,425**	7,558
	1,346,799	1,265,704

All of the trade 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 to its customers from the date of billing. As at September 30, 2008, trade and bills receivables of approximately RMB379,104,000 (March 31, 2008: RMB370,780,000) 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 and continuous repayment is made. An ageing analysis of trade and bills receivables (net of impairment losses on bad and doubtful debts) is as follows:

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Within credit terms	**833,297**	835,852
Within 3 months	**33,873**	360,129
Over 3 months but less than 6 months	**249,468**	9,597
Over 6 months but less than 12 months	**95,763**	1,054
	1,212,401	1,206,632

18. PLEDGED BANK DEPOSITS

Bank deposits of RMB2,479,000 as at September 30, 2008 (March 31, 2008: RMB2,578,000) were pledged to banks as security for certain of the Group's banking facilities in relation to bills payable (see note 23).

19. CASH AND CASH EQUIVALENTS

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Cash at bank and on hand	**3,493,946**	4,688,766
Less: Pledged bank deposits (note 18)	**(2,479)**	(2,578)
Cash and cash equivalents	**3,491,467**	4,686,188

Cash at bank and cash in hand are denominated in:

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
RMB	**1,963,456**	2,183,144
United States Dollars	**1,453,276**	1,917,685
Hong Kong Dollars	**77,214**	587,937
	3,493,946	4,688,766

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20. SHARE CAPITAL

The share capital of the Company as at September 30, 2008 of RMB613,000 represents 7,870,904,000 ordinary shares issued at par value of US$0.00001 per share. During the six months ended September 30, 2008, the Company repurchased and cancelled 123,418,000 issued ordinary shares.

21. SHARE-BASED PAYMENTS

On June 14, 2007, the Company adopted a share scheme for the Group's employees and consultants (the "Share Scheme"), which is not subject to the provisions of Chapter 17 of the Listing Rules. Under the Share Scheme, on June 14, 2007, Kong Bo Investment Limited, one of the ordinary share equity holders, and Shanghai Olympics Investment Holdings Company Limited ("Olympics Investment"), the holder of the Series A Shares, transferred 60,352,654 ordinary shares of US$0.00001 each of the Company and 87 Series A Shares respectively to an appointed trustee, which holds and deals with the shares under the Share Scheme when the shares granted to employees and consultants vested.

The shares granted to each beneficiary shall vest on the dates set out below in the respective proportions set out below:

	Percentage of award shares vesting
First anniversary of Listing Date	25.0%
Second anniversary of Listing Date	35.0%
Third anniversary of Listing Date	40.0%

The Share Scheme has a life of three years from the listing date.

The following table sets out activities under the Share Scheme for the six months ended September 30, 2008.

	2008		2007	
	Number of shares	**Remaining contracted term**	Number of shares	Remaining contracted term
As at April 1	**69,000,846**	**2.5 years**	—	—
Granted	**3,322,778**	**2.1 years**	69,000,846	3.3 years
Forfeited	**(3,322,778)**	**2.1 years**	—	—
As at September 30	**69,000,846**	**2.0 years**	69,000,846	3.0 years

None of these shares were vested as at September 30, 2008.

Total expenses of RMB17,400,000 (2007: RMB6,711,000) were recognized as personnel expenses for the six months ended September 30, 2008 (note 8).

22. INTEREST-BEARING BORROWINGS

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Unsecured short-term bank loans	**–**	60,000
	–	60,000

The loans from banks as of March 31, 2008, on which interest was payable at fixed rates of average 6% per annum, were repaid by September 30, 2008.

23. TRADE AND OTHER PAYABLES

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Trade and bills payables	**634,368**	281,239
Other payables and accrued expenses		
• Customer deposits	**309,695**	130,225
• Accrued rebates and commissions	**118,663**	116,187
• Accrued advertising expenses	**42,418**	37,304
• Accrued payroll and welfare	**22,033**	29,126
• Other levies payable	**1,737**	3,672
• Others	**2,597**	19,934
	1,131,511	617,687

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

An ageing analysis of trade and bills payables is set out below:

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Due within 1 month or on demand	**238,558**	140,562
Due after 1 month but within 3 months	**395,810**	140,677
	634,368	281,239

24. LEASE COMMITMENTS

(a) Capital commitments

As at September 30, 2008, the Group did not have any significant capital commitments.

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Within 1 year	**11,777**	10,348
After 1 year but within 5 years	**8,922**	9,765
	20,699	20,113

The Group leases a number of warehouses, factory facilities and office premises under operating leases. The leases typically run for an initial period of between one and six years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

In addition to the above, the Group operates retail outlets under concessionaire arrangements. The concessionaire fees, calculated based on a percentage of revenue for the six months ended September 30, 2008 were RMB29,899,000 (2007: RMB40,700,000).

25. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2008 and 2007, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Kong Bo Investment Limited ("KBI") 康博投資有限公司	Equity holder of the Company
Kong Bo Development Limited 康博發展有限公司	Equity holder of the Company
Changshu Bosideng Garment Co., Ltd. 常熟波司登服飾有限公司	Effectively controlled by Mr. Gao De Kang and his family (the "Gao Family"), the controlling equity holders of the Group
Jiangsu Kangbo Investment Co., Ltd 江蘇康博投資有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Shanghai Bosideng Holdings Group 上海波司登控股集團有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Bosideng Corporation 波司登股份有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Shandong Kangbo Industry Co., Ltd. ("Shandong Kangbo") 山東康博實業有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Shandong Ru Shang Co., Ltd. 山東儒商有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Jiangsu Kangxin Garment Co., Ltd. (previously known as Smartland Children's Wear Co., Ltd.) ("Smartland") 江蘇康欣製衣有限公司（前稱為江蘇波司登智慧島童裝服飾有限公司）	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Changshu Bingxu Fashion Co., Ltd. 常熟冰旭服飾有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Jiangsu Kangbo Apparel Co., Ltd. 江蘇康博製衣有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group

25. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with fellow subsidiaries

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Sales of raw materials		
Bosideng Corporation	**125**	1,228
Smartland	**—**	6
Total	**125**	1,234
Purchase of raw materials		
Bosideng Corporation	**2,715**	75,788
Smartland	**39**	3,097
Changshu Bosideng Garment Co., Ltd.	**9**	—
Shandong Kangbo	**30**	—
Jiangsu Kangbo Apparel Co., Ltd.	**192**	—
Total	**2,985**	78,885
Sales of down apparels		
Bosideng Corporation	**—**	4,164
Smartland	**—**	39
Total	**—**	4,203
Purchase of down apparels		
Bosideng Corporation	**—**	17,960
Smartland	**—**	31,558
Total	**—**	49,518
Loans guarantee by		
Bosideng Corporation	**—**	80,000
Deemed distribution on acquisition of entities under common control		
Bosideng Coporation	**—**	23,346
Changshu Bingxu Fashion Co., Ltd. (i)	**—**	8,700
Total	**—**	32,046

25. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with fellow subsidiaries (Continued)

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Rental expenses for lease of property, plant and equipment and land use rights		
Bosideng Corporation	**2,556**	3,769
Shanghai Bosideng Holdings Group	**306**	286
Shandong Kangbo	**1,017**	1,068
Total	**3,879**	5,123
Royalty income		
Bosideng Corporation	**—**	250
Changshu Bosideng Garment Co., Ltd.	**—**	2,000
Total	**—**	2,250
Processing fee		
Bosideng Corporation	**120,442**	67,675
Smartland	**792**	858
Shandong Kangbo	**1,492**	2,780
Changshu Bosideng Garment Co., Ltd.	**229**	—
Total	**122,955**	71,313
Concessionaire fees		
Shandong Ru Shang Co., Ltd. (ii)	**903**	733
Integrated service fees		
Bosideng Corporation	**1,140**	—

(b) Transaction with a director

	Six months ended September 30, 2008 (unaudited) RMB'000	Six months ended September 30, 2007 (unaudited) RMB'000
Advisory fee paid to Dr. Kong Sheng Yuan (iii)	**—**	7,886

25. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	At September 30, 2008 (unaudited) RMB'000	At March 31, 2008 (audited) RMB'000
Trade receivables due from:		
Shandong Ru Shang Co., Ltd. (ii)	**—**	357
	—	357
Other receivables due from:		
Bosideng Corporation	**26,934**	35,716
Smartland	**1,433**	292
Jiangsu Kangbo Apparel Co., Ltd.	**224**	—
	28,591	36,008
Total receivables due from related parties	**28,591**	36,365
Trade payables due to:		
Shandong Kangbo	**6,717**	8,987
Changshu Bosideng Garment Co., Ltd	**5,271**	6,196
Shanghai Bosideng Holdings Group	**107**	—
	12,095	15,183
Other payables due to:		
Bosideng Corporation	**—**	7,019
	—	7,019
Total payables due to related parties	**12,095**	22,202

(i) As a result of transfer of interest by the Gao Family to an independent third party, Changshu Bingxu Fashion Co., Ltd. has ceased to be a related party since June 2008.

(ii) As a result of transfer of interest by the Gao Family to an independent third party, Shandong Ru Shang Co., Ltd. has ceased to be a related party since September 2008.

(iii) The fee was paid to a company controlled by Dr. Kong Sheng Yuan in recognition of his contribution to the listing of the Company.

26. POST-BALANCE SHEET EVENT

Subsequent to September 30, 2008, the Company repurchased and cancelled 98,554,000 issued ordinary shares. The Board of the Company also declared a special dividend of RMB3.8 cents per ordinary share to equity holders of the Company on December 15, 2008.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at September 30, 2008, the interests and short positions of the directors and chief executives of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) (the "SFO")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") were as follows:

(a) Long position in the Company

Name of Director	Nature of interest	Number of shares in long position	Approximate percentage of interest in the Company
Mr. Gao Dekang	Other *(Note 1)*	5,207,291,201	66.16%
	Deemed interest *(Note 2)*	69,000,846	0.88%
Ms. Mei Dong	Other *(Note 1)*	5,207,291,201	66.16%
	Beneficial owner *(Note 3)*	2,763,697	0.035%
Ms. Gao Miaoqin	Beneficial owner *(Note 3)*	2,763,697	0.035%
Dr. Kong Shengyuan	Beneficial owner *(Note 3)*	2,763,697	0.035%
Ms. Huang Qiaolian	Beneficial owner *(Note 3)*	2,763,697	0.035%
Ms. Wang Yunlei	Beneficial owner *(Note 3)*	1,878,242	0.024%

Notes:

(1) These shares are directly held by Kong Bo Investment Limited (as to 5,154,719,202 shares) and Kong Bo Development Limited (as to 52,571,999 shares). Each of Kong Bo Investment Limited and Kong Bo Development Limited is wholly-owned by Kova Group Limited, which is in turn wholly-owned by The GDK Family Trust, the trustee of which is HSBC International Trustee Limited. The GDK Family Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Mr. Gao Dekang and Ms. Mei Dong is deemed to be interested in such shares under the SFO.

(2) The Share Scheme comprises 69,000,846 shares of the Company held by Gather Wealth Holdings Limited (as trustee of the Share Scheme). Mr. Gao Dekang is deemed to be interested in the 69,000,846 shares of the Company held by Gather Wealth Holdings Limited in his capacity as one of the founders of the Share Scheme.

(3) Each of Ms. Mei Dong, Ms. Gao Miaoqin, Dr. Kong Shengyuan and Ms. Huang Qiaolian was granted 2,763,697 shares of the Company, and Ms. Wang Yunlei was granted 1,878,242 shares of the Company, under the Share Scheme over a vesting period.

(b) Long position in the Association Corporations

Name of Director	Nature of interest	Name of associated corporation	Number of shares of the associated corporation held	Approximate percentage of interest in the associated corporation
Mr. Gao Dekang	Other	Kong Bo Investment Limited	100	100.00%
		Kong Bo Development Limited	1	100.00%
		Kova Group Limited	1	100.00%
Ms. Mei Dong	Other	Kong Bo Investment Limited	100	100.00%
		Kong Bo Development Limited	1	100.00%
		Kova Group Limited	1	100.00%

Notes:

(1) Kong Bo Investment Limited and Kong Bo Development Limited own 65.50% and 0.67% of the shares of the Company (comprising 5,154,719,202 shares and 52,571,999 shares, respectively), each of which is wholly-owned by Kova Group Limited, which is in turn wholly-owned by The GDK Family Trust, the trustee of which is HSBC International Trustee Limited. The GDK Family Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Mr. Gao Dekang and Ms. Mei Dong is deemed to be interested in the shares of Kong Bo Investment Limited, Kong Bo Development Limited and Kova Group Limited under the SFO.

Save as disclosed above, as at September 30, 2008, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at September 30, 2008, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company
Kong Bo Investment Limited	Corporate interest	5,154,719,202	65.50%
HSBC International Trustee Limited	Trustee *(Note 1)*	5,207,291,201	66.16%
Kova Group Limited	Interest of controlled corporation *(Note 1)*	5,207,291,201	66.16%
Shanghai Olympics Investment Holdings Company Limited ***("Olympics Investment")***	Corporate interest Deemed interest *(Note 2)*	616,151,953 69,000,846	7.83% 0.88%
The HSBC Private Equity Fund 3 Limited ***("HSBC Private Equity")***	Interest of controlled corporation *(Note 3)*	685,152,799	8.70%
Solandra Investments Limited	Interest of controlled corporation *(Note 3)*	685,152,799	8.70%
HSBC Entities	Interest of controlled corporation *(Note 4)*	685,152,799	8.70%
Capital Research and Management Company	Investment manager	402,586,000	5.11%

Notes:

(1) These shares are directly held by Kong Bo Investment Limited (as to 5,154,719,202 shares) and Kong Bo Development Limited (as to 52,571,999 shares). Each of Kong Bo Investment Limited and Kong Bo Development is wholly-owned by Kova Group Limited, which is in turn wholly-owned by The GDK Family Trust, the trustee of which is HSBC International Trustee Limited. The GDK Family Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Kova Group Limited and HSBC International Trustee Limited is deemed to be interested in such shares under the SFO.

(2) The Share Scheme comprises 69,000,846 shares of the Company held by Gather Wealth Holdings Limited (as trustee of the Share Scheme). Olympics Investment is deemed to be interested in the 69,000,846 shares of the Company held by Gather Wealth Holdings Limited in its capacity as one of the founders of the Share Scheme.

(3) Olympics Investment is the wholly-owned subsidiary of HSBC Private Equity. Solandra Investments Limited owns 33.8% of the shareholding interest of HSBC Private Equity. Solandra Investments Limited is an indirect wholly-owned subsidiary of its ultimate holding company, HSBC Holdings plc. Each of HSBC Private Equity and Solandra Investments Limited is deemed to be interested in the shares of the Company held by Olympics Investment.

(4) This refers to the shareholding of each of the HSBC Entities, which comprise The Hongkong and Shanghai Banking Corporation Limited, HSBC Asia Holdings B.V., HSBC Asia Holdings (UK), HSBC Holdings B.V., HSBC Finance (Netherlands) and HSBC Holdings plc, each of which is deemed to be interested in the shares of the Company held by Olympics Investment. Olympics Investment is the wholly-owned subsidiary of HSBC Private Equity. Solandra Investments Limited owns 33.8% of the shareholding interests of HSBC Private Equity. Solandra Investments Limited is directly wholly-owned by The Hongkong and Shanghai Banking Corporation Limited, which is directly wholly-owned by HSBC Asia Holdings B.V., a direct wholly-owned subsidiary of HSBC Asia Holdings (UK). HSBC Asia Holdings (UK) is in turn directly wholly-owned by HSBC Holdings B.V., which is directly wholly-owned by HSBC Finance (Netherlands), a direct wholly-owned subsidiary of HSBC Holdings plc.

Save as disclosed above, as at September 30, 2008, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 have complied with all relevant requirements as set out in the Model Code during the six months ended September 30, 2008.

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

For the six months ended September 30, 2008, the Company had repurchased 123,418,000 of its shares on the Stock Exchange at an aggregate consideration of HK$147,232,448.80 before expenses. Details of the share repurchases are as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid** *HK$*
April 2008	4,942,000	1.48	1.44	7,267,797.40
May 2008	15,568,000	1.48	1.42	22,712,692.60
June 2008	37,216,000	1.48	1.35	52,708,606.00
September 2008	65,692,000	1.0	0.87	64,543,352.80
Total	123,418,000	1.48	0.87	147,232,448.80

The repurchased shares were cancelled on delivery of the share certificates during the reporting period. The directors are of the view that such repurchases have the effect of enhancing the earnings per share of the Group and would benefit the shareholders as a whole. Depending on the market circumstances, the Company may undertake further share repurchases as the directors may consider to be appropriate.

Special Dividend

To offer a higher reward to the shareholders, the Board has recommended the payment of a special dividend of RMB3.8 cents per ordinary share for the six months ended September 30, 2008. The proposed dividend payment is payable on January 12, 2009 to shareholders whose names appear on the Register of Members of the Company on January 2, 2009 and 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 December 15, 2008.

Code on Corporate Governance Practices

The directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices ("Code"), as set out in Appendix 14 to the Listing Rules as of September 30, 2008, 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.

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 unaudited consolidated interim financial statements for the six months ended September 30, 2008 (including the accounting principles and practices adopted by the Company and financial reporting matters) have been reviewed by the Audit Committee, in conjunction with KPMG, the Company's external auditors. Such review does not constitute an audit on the basis of review conducted by KPMG. The unmodified review report issued by KPMG is set out on page 13 of this report. As at the date of this report, the Audit Committee comprised 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 consists 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 consists 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).

Board of Directors

Executive Directors

Mr. Gao Dekang (Chairman)[2][3]
Ms. Mei Dong
Ms. Gao Miaoqin
Dr. Kong Shengyuan
Ms. Huang Qiaolian
Ms. Wang Yunlei

Non-executive Director

Mr. Shen Jingwu[2]

Independent Non-executive Directors

Mr. Dong Binggen[1][2][3]
Mr. Jiang Hengjie[1][2][3]
Mr. Wang Yao[2]
Mr. Ngai Wai Fung[1]

Company Secretary and Qualified Accountant

Mr. Mak Yun Kuen

Authorized Representatives

Dr. Kong Shengyuan
Mr. Mak Yun Kuen

Listing Exchange Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

3998

Investor Relations

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Principal Share Registrar and Transfer Office

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68 Fort Street
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Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–16
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Legal Advisors As to Hong Kong Law

Freshfields Bruckhaus Deringer

Auditors

KPMG
Certified Public Accountants

Compliance Advisor

Guotai Junan Capital Limited

Principal Bankers

Agricultural Bank of China Changshu Sub-branch
Bank of Communications Shanghai Branch
Bank of Ningbo Shanghai Branch
Bank of China Limited Changshu Sub-branch

(1) Members of Audit Committee, Mr. Ngai is the Chairman of the Committee
(2) Members of Remuneration Committee, Mr. Gao is the Chairman of the Committee
(3) Members of Nomination Committee, Mr. Gao is the Chairman of the Committee