

# THERE IS NO ROYAL ROAD TO THE SUMMIT, IT TAKES COURAGE TO GET THERE!

Dear shareholders,

On behalf of the Board, I am pleased to present the Group's annual results for the year ended March 31, 2023.

FY2022/23 was a year like no other. The Group actively responded to the complicated and uncertain external environment, adhered to its warmth delivery mission, remained focused on its principal business and customer-centric values; guided by brands and driven by innovation, it achieved steady progress in key performance indicators with improvement of quality at the same time. In the financial year, revenue reached RMB16.77 billion, representing a year-on-year increase of 3.5%. Profit attributable to equity shareholders amounted to RMB2.14 billion, representing a year-on-year increase of 3.7%. To thank the shareholders for their continued support and recognition, the Board recommended the distribution of a final dividend of HKD13.5 cents per share in this financial year. Together with the distributed interim dividend of HKD4.5 cents per share, the dividend distribution rate of this financial year is 83.4%, demonstrating the reality that we continued to generate vigorous returns for our shareholders.



### **With steady operations bucking the trend, the vitality of resilience of development is being demonstrated**

In the past year, the Group adhered to the strategy of “focusing on its principal business and key brands”, continued to consolidate its four core competencies in “leading brand, innovating products, upgrading channel and adhering to high product quality and quick response” as well as its two security systems in relation to “organization, mechanism, culture, talent development and digital and intelligent operation”. This consolidated the branded down apparels business as its core operation, which added impetus to innovation and enhanced its business planning and presence in its strategic development, contributing to the rise of Chinese brands in this new era. The sound financial performance of the Group was recognized by international authoritative rating institutions. “Double investment grade” granted to the Group by Moody’s and S&P in FY2022/23 demonstrated the capital market’s recognition of the Group’s prudent financial policy and sound financial performance, and also reflected the Group’s vitality and resilience against the trend in the business cycle.

### **Laying a solid foundation for our principal business to help improve brand strength**

The Group focused on its core down apparel business, concentrated on advantageous resources, and built the core competencies of its main business. The branded down apparels business recorded a year-on-year increase of 2.7% in revenue to RMB13.57 billion in this financial year.

Positioned as “the world’s leading expert in down apparel”, the Bosideng brand is evolving from a market leader solely by sales volume into a globally leading brand in overall strength by upgrading and innovating products, improving quality and efficiency of channels and refining retail operations. Bosideng ranked first in the industry in terms of awareness rate, reputation and net promoter score. In FY2022/23, Bosideng brand’s revenue stably lifted to approximately RMB11.76 billion, with a compound annual growth rate of 18.9% for five consecutive years.

Upholding the brand principle of “creating a wonderful life for all”, the Snow Flying brand stepped up its efforts to develop its online business and supply chain

collaboration and its business model innovation has achieved initial results. In FY2022/23, the Snow Flying brand recorded revenue of approximately RMB1.22 billion, representing a year-on-year increase of 25.4%. Thanks to its advantages in product development and supply chain management, the Group has maintained the stable and sound development of the OEM business by pre-planning and allocating its production resources with a focus on core strategic customers, exploring its internal development potential and lessening external pressure. In FY2022/23, its revenue amounted to approximately RMB2.29 billion, representing an increase of 20.7% compared with that in the same period of previous year.

In FY2022/23, as it continued to increase operational quality and efficiency, the Group achieved a stable increase in its trade receivables management ability. Its inventory turnover days decreased to 144 days and it has further enhanced its ability to manage working capital. Meanwhile, by taking measures such as supply chain management, inventory control and the optimization of the collection period, the Group’s net cash generated from operating activities amounted to approximately RMB3.05 billion, representing a year-on-year growth of 14.3%. The Group’s future sound and sustainable operations are underpinned by stable and adequate cash flow.

### **Highlighting the value of product innovation and sub-category advantages**

Specializing on down apparel for 47 years, Bosideng has been delivering its brand value through its professional, innovative products with craftsmanship and leading the innovation development and consumption trends in the industry. During FY2022/23, the Group continued to promote the omnichannel integrated operation centered on stores with a focus on its best-selling products (“Top Sellers”) to improve product operational efficiency. Also, the Group upgraded its design and development, technological functions, techniques and merchandise mix, and relaunched the new-generation lightweight down apparel collection that is more diversified, fashionable, light and warm to extend the sales cycle of down apparel, which expanded new categories for the industry. The comfortable outdoor down apparel series won five heavyweight international awards, namely the German Red Dot Award, the US MUSE Design Awards,

## CHAIRMAN'S STATEMENT

the US Industrial Design Excellent Award (IDEA Design Award), the Italy A award and ISPO Award - Global Design Award. It collaborated with CASC, Maserati and other industries to satisfy customers' demand for personality and diversity. In addition, Bosideng's sun protective clothing products also demonstrate strong resilience as its continuous efforts in product iteration and innovation which drives the upgrading of its brand awareness and sound growth in results.

### **Boosting momentum by omni-channel retail and upgrading experiences by targeted marketing**

We take a consumer-oriented approach and continue to promote retail reform. For offline channels, we have promoted the iteration and upgrading of channel qualities, channel structures and terminal images, and opened the first brand experience shop on Nanjing West Road in Shanghai. Focusing on individual stores operation, we achieved full integration of the front, middle and back platforms, refined the operation of shops to upgrade consumer experience and enhance the quality and efficiency of shops operation. For online channels, while exerting efforts on traditional e-commerce platforms such as Tmall, JD.com, we also introduced Douyin, Xiaohongshu and other new e-commerce platforms. The online retail has continuously made breakthroughs, which was evidenced by the fact that our ladieswear on Tmall in "Double 11" ranked first for the first time. At the same time, we broke the traditional retail boundary and converted to an online and offline omni-channel, multi-touchpoint, integrated and innovative operation mode, achieving the integration of online and offline, in-store and out-of-store transactions, and the comprehensive integration of online and offline products and members, which contributed to performance growth through the high-quality innovation in omni-channel retail. In addition, the Company has attached great importance to membership refined operations and high-quality member acquisition with a steady increase in the proportion of mainstream consumers.

### **Development empowered by digitalisation and reality integration, with collaborated quality and efficiency improvement of the whole chain**

The Group has accelerated intelligent and digital transformation, deeply integrated the new generation of digital technology with the traditional business model of

down apparel, and integrated big data into the key aspects of enterprise design and research and development, purchasing and manufacturing, warehousing and logistics, retail operations and customer service, realising the consumer-centred digital "research, production, supply, marketing, and service" whole-chain synergies, and significantly improving operational efficiency, decision-making accuracy, synergy and talent effectiveness. The Group was awarded the first batch of "Digital Pilot" enterprises by the Ministry of Industry and Information Technology of China in the current financial year. The Group will continue to promote the application of digitalisation into the entire process of enterprise operation and management, and continuously improve enterprise operation efficiency through process re-engineering, organizational restructuring and model innovation to ultimately achieve the goal of "mobile office, online business, digital operation and intelligent decision-making", and continuously create greater value for users.

### **Living up to warmth delivery mission of our brand with a focus on sustainable fashion development**

Staying true to its original mission of "Warming the World", Bosideng has been pursuing long-term and social value creation, and delivering love and warmth to global consumers and the public, so as to build a community for mankind and nature. The Group has integrated ESG (Environmental, Social and Governance) concepts into all aspects of its operations and management, and has been committed to the new development concept and sustainable fashion to promote sustainable and high-quality corporate development. During this financial year, Morgan Stanley Capital International (i.e. MSCI) upgraded the ESG rating of the Group to an industry-leading "A" grade, representing the highest level in China's branded apparel industry. The Group filed and received a "B-" rating for climate change management from the Carbon Disclosure Project (i.e. CDP) for the first time, which is the best rating received by a Chinese textile and clothing company. At the same time, the Group upheld the warmth delivery mission of its brands, spared no effort to give back to society, and demonstrated its leading role in promoting common prosperity.

## **Living a warm and wonderful life and achieving sustainable high-quality development**

The 20th National People's Congress of the Communist Party of China opened a new journey to comprehensively establish a modern socialist country, and mapped out a new blueprint for promoting the great rejuvenation of the Chinese nation through Chinese-style modernization. High-quality development is the primary task for building a modern socialist country in all respects. Since the beginning of this year, with the full restoration of normal economic and social operations with steady growth and effective implementation of policies and measures to expand domestic demand, China's economy continued to stabilise and improve, and the domestic demand market has accelerated the recovery, which created new opportunities for high-quality development of enterprises. People's desire for a better life has driven a rise in consumption and the rise of national brands. The Group will adhere to the original development intention of "warming the world", adhere to the strategic vision of "being the most respectable and fashionable functional apparel group around the world", insist on brand leadership, implement an individual stores operation, create customer value, practice social responsibility, and move towards a new journey of sustainable high-quality development.

## **Focusing on principal business and key brands**

The Group has been dedicated to the down apparel business for 47 years, creating the warm story of the world's leading Chinese down apparel. Keeping our fist tight is key to becoming powerful. The Group will maintain its focus on the core down apparel business, cultivate and harvest in the field of its own expertise, build the core competitiveness of the main business and strive to become the leader of global down apparel industry.

## **Insisting on brand leadership and consolidating its core capabilities**

The brand is the highest leadership for the development of a company, and brand confidence is the greatest source of cultural confidence. The Group will adhere to the development model guided by brands, exerting its efforts systematically from aspects such as "leading brand, innovating products, upgrading retail, adhering to high product quality and quick response, and intelligent operation", consolidating its core competitiveness and giving its brands new values in keeping with the times.

## **Living up to social responsibility and creating symbiotic value**

The Group will step forward toward sustainable and high-quality development in the fields of environmental protection, social responsibility and corporate governance, and continue to promote the construction and improvement of its corporate governance structure. The Group will also actively align with the national "dual carbon" strategy to promote green production and lead green consumption. In addition, the Group will make efforts towards common prosperity to fulfill its social responsibility and enhance patriotism. Bosideng will create symbiotic value for customers, employees, shareholders and the society by leveraging on the comprehensive leadership of its ESG capabilities.

## **There is no royal road to the summit, it takes courage to get there!**

On behalf of the Board, I would like to express my sincere gratitude to our members of the Board, the management team and the strivers of the Group for their efforts and dedication, and also sincerely hope that all shareholders, partners and global consumers will continue to trust and support Bosideng. The Group will always maintain the original mission of "Bosideng warms the world", carry forward the enterprise spirit of "Overcoming difficulties, Keeping abreast with the times, Fighting cooperatively, Striving for the best", step on the path of brand breakthroughs and high-quality development, build core capacities of steady and healthy operations and surmounting ups and downs, innovate the Company's value symbiosis and co-creation sharing mechanism, start a new chapter of "World Down Apparel, China Bosideng, New trend leadership", create value for a better life and make contributions to the construction of a powerful nation in clothing and brands!



**Gao Dekang**

*Chairman and President*

June 28, 2023