波司登國際控股有限公司

Bosideng International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3998)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

HIGHLIGHTS

- Revenue increased by 1.4% to approximately RMB2,849.5 million
- Gross profit margin decreased by 2.0 percentage points to 47.4%
- Operating profit margin decreased by 1.4 percentage points to 10.8%
- Profit attributable to equity shareholders of the Company decreased by 22.5% to approximately RMB252.7 million
- Interim dividend of HKD1.2 cents per ordinary share was declared by the Board

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Bosideng International Holdings Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended September 30, 2014, together with the unaudited comparative figures for the corresponding period in 2013. These interim financial statements have not been audited, but have been reviewed by the auditors, KPMG, and the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended September 30, 2014 (unaudited)

	Note	**Six months ended September 30, 2014** *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Revenue	*4*	**2,849,533**	2,809,239
Cost of sales		**(1,500,034)**	(1,422,126)
Gross profit		**1,349,499**	1,387,113
Other income	*5*	**38,744**	36,463
Selling and distribution expenses		**(671,503)**	(828,243)
Administrative expenses		**(339,309)**	(247,635)
Impairment losses on goodwill		**(70,000)**	–
Other expenses	*5*	**(827)**	(4,300)
Profit from operations		**306,604**	343,398
Finance income		**96,444**	110,490
Finance costs		**(57,507)**	(38,455)
Net finance income	*7*	**38,937**	72,035
Share of profits of associates, net of tax		**10,903**	3,608
Profit before taxation		**356,444**	419,041
Income tax expense	*8*	**(101,660)**	(97,436)
Profit for the period		**254,784**	321,605
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**1,783**	9,941
Change in fair value of available-for-sale financial assets		**2,283**	8,009
Available-for-sale financial assets reclassified to profit or loss on disposal		**–**	(14,031)
Income tax on items that may be reclassified subsequently to profit or loss		**(571)**	1,506
Other comprehensive income for the period, net of tax		**3,495**	5,425
Total comprehensive income for the period		**258,279**	327,030

	Note	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Profit/(loss) attributable to:			
Equity shareholders of the Company		**252,733**	326,144
Non-controlling interests		**2,051**	(4,539)
Profit for the period		**254,784**	321,605
Total comprehensive income attributable to:			
Equity shareholders of the Company		**255,714**	331,318
Non-controlling interests		**2,565**	(4,288)
Total comprehensive income for the period		**258,279**	327,030
Earnings per share	*9*		
– basic (RMB cents)		**3.18**	4.10
– diluted (RMB cents)		**3.18**	4.10

CONSOLIDATED BALANCE SHEET

At September 30, 2014 (unaudited)

	Note	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Non-current assets			
Property, plant and equipment		**983,825**	991,332
Non-current other receivables		**54,992**	30,715
Lease prepayments		**40,121**	32,371
Intangible assets and goodwill		**920,009**	1,007,800
Investment properties		**211,684**	219,474
Interest in associates		**178,488**	167,585
Deferred tax assets		**491,182**	451,501
		2,880,301	2,900,778
Current assets			
Inventories	*10*	**2,407,898**	2,042,715
Trade, bills and other receivables	*11*	**3,670,215**	2,099,018
Receivables due from related parties		**255,145**	144,261
Prepayments for materials and service suppliers		**431,894**	334,161
Other financial assets		**–**	420,000
Available-for-sale financial assets		**995,056**	2,082,930
Pledged bank deposits		**571,593**	468,933
Time deposits with maturity over 3 months		**137,200**	147,400
Cash and cash equivalents		**1,986,472**	2,117,996
		10,455,463	9,857,414
Current liabilities			
Current income tax liabilities		**233,821**	197,078
Interest-bearing borrowings		**2,084,308**	1,048,638
Trade and other payables	*12*	**1,961,995**	1,558,758
Payables due to related parties		**2,698**	2,806
		4,282,822	2,807,280
Net current assets		**6,172,641**	7,050,134
Total assets less current liabilities		**9,052,942**	9,950,912

	Note	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Non-current liabilities			
Interest-bearing borrowings		**1,327,622**	2,210,514
Non-current other payables	*13*	**–**	181,691
Derivative financial liabilities		**11,226**	12,050
Deferred tax liabilities		**167,282**	169,424
		1,506,130	2,573,679
Net assets		**7,546,812**	7,377,233
Capital and reserves			
Share capital		**622**	622
Reserves		**7,321,281**	7,154,267
Equity attributable to equity shareholders of the Company		**7,321,903**	7,154,889
Non-controlling interests		**224,909**	222,344
Total equity		**7,546,812**	7,377,233

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

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 Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the research, design and development, raw materials procurement, outsourced manufacturing, marketing and distribution of branded down apparel products, original equipment manufacturing ("OEM") products and non-down apparel products in the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

The Company has a financial year end date of March 31. 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 (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013/14 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014/15 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, 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.

This interim financial report contains the condensed interim consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to understanding the changes in the financial position and performance of the Group since the 2013/14 annual financial statements. The condensed interim consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the 2014/15 annual financial statements.

The interim financial report for is unaudited, but has been reviewed by the audit committee of the Company. It 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").

The financial information relating to the financial year ended March 31, 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The 2013/14 annual financial statements are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated June 26, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

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

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting
- IFRIC 21, Levies

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the recoverable amounts of the Group's nonfinancial assets are estimated based on the value in use.

Amendments to IAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the group's existing accounting policies.

4. REVENUE AND SEGMENT INFORMATION

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

- Down apparels – The down apparel segment carries on the business of sourcing and distributing branded down apparels.
- OEM management – The OEM management segment carries on the business of sourcing and distributing OEM products.
- Non-down apparels – The non-down apparel segment carries on the business of sourcing and distributing non-seasonal apparels, including branded apparels of menswear, ladieswear and casual wear.

(a) Segment results

	For the six months ended September 30, 2014			
	Down apparels	**OEM management**	**Non-down apparels**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**1,418,455**	**1,011,222**	**419,856**	**2,849,533**
Inter-segment revenue	**–**	**–**	**6,766**	**6,766**
Reportable segment revenues	**1,418,455**	**1,011,222**	**426,622**	**2,856,299**
Reportable segment profit from operations	**247,822**	**125,958**	**33,386**	**407,166**
Depreciation	**(49,324)**	**(130)**	**(28,991)**	**(78,445)**
Share of profits of associates	**–**	**–**	**10,903**	**10,903**
Impairment losses on goodwill	**–**	**–**	**(70,000)**	**(70,000)**

	For the six months ended September 30, 2013			
	Down apparels	OEM management	Non-down apparels	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	1,756,325	653,423	399,491	2,809,239
Inter-segment revenue	5,455	–	8,020	13,475
Reportable segment revenues	1,761,780	653,423	407,511	2,822,714
Reportable segment profit/(loss) from operations	314,910	115,903	(36,747)	394,066
Depreciation	(30,699)	(212)	(30,139)	(61,050)
Share of profits of associates	–	–	3,608	3,608

(b) **Reconciliations of reportable segment revenues and profit or loss**

	For the six months ended September 30	
	2014	2013
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenues	**2,856,299**	2,822,714
Elimination of inter-segment revenue	**(6,766)**	(13,475)
Consolidated revenue	**2,849,533**	2,809,239

	For the six months ended September 30	
	2014	2013
	RMB'000	*RMB'000*
Profit before taxation		
Reportable segment profit derived from the Group's external customers	**407,166**	394,066
Amortization expenses	**(18,384)**	(18,454)
Government grants	**31,461**	31,086
Impairment losses	**(70,000)**	–
Unallocated expenses	**(32,736)**	(59,692)
Finance income	**96,444**	110,490
Finance costs	**(57,507)**	(38,455)
Consolidated profit before taxation	**356,444**	419,041

5. OTHER INCOME/(EXPENSES)

	Note	**Six months ended September 30, 2014** ***RMB'000***	Six months ended September 30, 2013 *RMB'000*
Royalty income	*(i)*	**7,283**	5,377
Government grants	*(ii)*	**31,461**	31,086
Other income		**38,744**	36,463
Other expenses – Donations		**(827)**	(4,300)

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

(ii) The Group received unconditional discretionary grants amounting to RMB31,461,000 during the six month period ended September 30, 2014 (2013: RMB31,086,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

6. EXPENSES BY NATURE

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

	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Cost of inventories recognized as expenses included in cost of sales	**1,447,338**	1,480,701
Write down/(write back) of inventories to their net realizable value	**52,696**	(58,575)
Depreciation		
– Assets leased out under operating leases	**4,831**	875
– Other assets	**73,614**	60,175
Amortization	**18,384**	18,454
Operating lease charges	**87,151**	96,265
Provision for impairment of bad and doubtful debts	**84,588**	18,506

7. NET FINANCE INCOME

	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Recognized in profit or loss:		
Interest income on bank deposits	**18,716**	31,258
Interest income on available-for-sale financial assets	**64,901**	46,272
Interest income on other financial assets	**11,344**	5,161
Total interest income on financial assets not at fair value through profit or loss	**94,961**	82,691
Change in fair value of contingent considerations *(note 13)*	**659**	3,992
Change in fair value of derivative financial liabilities *(note 13)*	**824**	–
Net foreign exchange gain	**–**	23,807
Finance income	**96,444**	110,490
Interest on interest-bearing borrowings	**(51,490)**	(29,887)
Bank charges	**(3,787)**	(8,495)
Change in fair value of derivative financial liabilities *(note 13)*	**–**	(73)
Net foreign exchange loss	**(2,230)**	–
Finance costs	**(57,507)**	(38,455)
Net finance income recognized in profit or loss	**38,937**	72,035

8. INCOME TAX EXPENSE

Income tax in profit or loss represents:

	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Current tax expenses		
Provision for PRC income tax	**144,054**	114,517
Deferred tax benefit		
Origination of temporary differences	**(42,394)**	(17,081)
	101,660	97,436

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

(ii) No tax provision has been made for Bosideng America Inc., Bosideng UK Limited and Bosideng Retail Limited, as they do not have assessable profits subject to any income tax in the United States and the United Kingdom during the period.

(iii) No tax provision has been made for Talent Shine Limited, Hong Kong Bestmate Limited, Bosideng International Fashion Limited, Long Pacific (H.K.) Ltd. and Rocawear (China) Limited, as they do not have assessable profits subject to Hong Kong Profits Tax during the period.

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

For the six months ended September 30, 2014, the standard income tax rate for all domestic companies established in the PRC was 25%, except for Shanghai Bosideng Information Technology Co., Ltd., a software enterprise in the PRC, which was granted a tax holiday by the local tax bureau of tax-exemption for 2 years starting from January 1, 2012 and 50% reduction on the applicable income tax rates for 3 years starting from January 1, 2014.

The effective tax rate for the six months ended September 30, 2014 was approximately 28.5%, which is higher than the standard PRC income tax rate of 25%, mainly because of the combined effect of non-deductible expenses, tax losses not recognized as deferred tax assets of certain subsidiaries of the Group and the preferential tax rate enjoyed by the subsidiary mentioned above.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended September 30, 2014 was based on the profit attributable to equity shareholders of the Company for the six months of RMB252,733,000 (2013: RMB326,144,000) and the weighted average number of shares in issue during the six months ended September 30, 2014 of 7,953,842,000 (2013: 7,953,842,000), calculated as follows:

Profit attributable to ordinary equity shareholders (basic and diluted):

	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Profit attributable to ordinary equity shareholders	**252,733**	326,144

Weighted average number of ordinary shares (in thousands):

	Six months ended September 30, 2014	Six months ended September 30, 2013
Issued ordinary shares at 1 April	**8,007,350**	8,007,350
Effect of treasury shares held for Share Award Scheme	**(53,508)**	(53,508)
Effect of dilution-Written put option	**–**	–
	7,953,842	7,953,842
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,953,842**	7,953,842
Basic and diluted earnings per share (RMB cents)	**3.18**	4.10

The diluted earnings per share for the six months ended September 30, 2014 are the same as the basic earnings per share because the dilutive effect of the potential ordinary shares in respect of the written put option issued to the non-controlling equity shareholder of a subsidiary of the Group (note 13) is nil as rounded down to the nearest 2 decimal places.

The diluted earnings per share for the six months ended September 30, 2013 are the same as the basic earnings per share because the potential ordinary shares in respect of the written put option issued to the non-controlling equity shareholder of a subsidiary of the Group (note 13) were anti-dilutive.

10. INVENTORIES

	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Raw materials	**241,194**	157,183
Work in progress	**380,173**	17,061
Finished goods	**1,786,531**	1,868,471
	2,407,898	2,042,715

11. TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Trade receivables	**2,962,613**	1,500,462
Bills receivable	**8,194**	79,410
Less: allowance for doubtful debts	**(190,664)**	(111,613)
	2,780,143	1,468,259
Third party other receivables:		
• VAT recoverable	**271,556**	288,320
• Deposits	**468,736**	282,033
• Advances to employees	**22,634**	7,485
• Others	**127,136**	52,921
	3,670,205	2,099,018

All of the trade, bills and other receivables are expected to be recovered within one year.

As of the balance sheet date, the ageing analysis of trade receivables and bills receivable (which are included in trade, bills and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of impairment losses on bad and doubtful debts, is as follows:

	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Within credit terms	**2,521,338**	1,159,119
1 to 3 months past due	**36,106**	162,970
Over 3 months but less than 6 months past due	**220,391**	124,348
Over 6 months but less than 12 months past due	**551**	21,822
Over 1 year past due	**1,757**	–
	2,780,143	1,468,259

Trade receivables and bills receivable are generally due within 30 to 90 days from the date of billing.

12. TRADE AND OTHER PAYABLES

	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Trade payables	**890,923**	690,154
Other payables and accrued expenses		
• Deposits from customers	**359,557**	282,833
• Construction payables	**63,723**	61,670
• Accrued rebates and commissions	**–**	45,134
• Accrued advertising expenses	**16,036**	9,970
• Accrued payroll and welfare	**160,428**	145,292
• VAT payable	**177,866**	117,298
• Dividends payable	**5,000**	5,000
• Cash-settled written put option *(note 13)*	**143,441**	–
• Others	**145,021**	201,407
	1,961,995	1,558,758

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

An ageing analysis of trade payables, based on the invoice date, is set out below:

	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Within 1 month	**390,735**	316,007
1 month to 3 months	**500,188**	374,147
	890,923	690,154

13. NON-CURRENT OTHER PAYABLES

	At September 30, 2014 RMB'000	At March 31, 2014 RMB'000
Contingent considerations payable	**–**	659
Cash-settled written put option	**–**	181,032
	–	181,691

On November 4, 2011, the Group obtained control of Talent Shine Limited and Sunny Bright Global Investments Limited (collectively known as "Jessie") by acquiring 70% of the shares and voting interests of the Jessie business. Pursuant to the relevant sale and purchase agreement (the "SPA"), the total consideration payable comprised a cash consideration of RMB148 million, issuance of 235,000,000 new ordinary shares, and a contingent consideration, with the amount depending on Jessie's adjusted net profit (as defined in the SPA), and payable within three years from March 31, 2012 to March 31, 2015. In addition, the Group granted a written put option to Talent Shine International Limited, the non-controlling equity shareholder of Jessie, giving it the right to sell its entire interest in Jessie after March 31, 2015 at a consideration which comprises cash and a variable number of shares. The consideration for exercising the put option depends on Jessie's adjusted net profit for the year ending March 31, 2015 and in total shall not exceed RMB900,000,000.

(i) Contingent consideration payable

As at September 30, 2014, the fair value of the contingent consideration payable was nil (March 31, 2014: RMB659,000 recorded as non-current other payable).

The decrease in the balance during the period is attributable to the decrease in the fair value of the contingent consideration payable, which was recorded in profit or loss (note 7).

(ii) Written put option to non-controlling equity shareholder

As at September 30, 2014, the Group recorded the estimated present value of the redemption price of the cash settled portion of the written put option of RMB143,441,000 as a current payable (March 31, 2014: RMB181,032,000 as a non-current payable) with a corresponding increase in other reserves.

As at September 30, 2014, the fair value of the share settled portion of the written put option amounted to RMB11,226,000 (March 31, 2014: RMB12,050,000), and was recorded as derivative financial liabilities with the fair value change of RMB824,000 (note 7) being recognized in profit or loss.

14. CAPITAL, RESERVES AND DIVIDENDS

Dividends

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

	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Interim dividend declared and paid of RMB1.0 cents per ordinary share (2013: interim dividend of RMB2.9 cents per ordinary share)	**76,080**	234,410

The interim dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, approved and paid during the periods:

	Six months ended September 30, 2014 *RMB'000*	Six months ended September 30, 2013 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB1.6 cents per ordinary share (2013: final dividend of RMB5.2 cents per ordinary share)	**127,131**	413,743

15. NON-ADJUSTING POST-BALANCE SHEET EVENTS

Interim dividends

Subsequent to September 30, 2014, the Board of the Company declared an interim dividend of RMB76,080,000, representing RMB1.0 cents per ordinary share to equity shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

China's macro-economy remains uncertain. According to the statistics from the National Bureau of Statistics of China, total retail sales of consumer goods in the first nine months of 2014 grew 12% year on year, slightly lower than the 13% growth last year. Although the country's consumption remained stable, it decelerated slightly amid the persistently weak consumer sentiment. This year, the Chinese government sets the tone for its economic policy as "seeking progress in stability and advocating reform and innovation", aiming for healthier social and economic development with economic reform that emphasizes quality and efficiency. It is expected that China's future economic growth will become moderate and steady.

Meanwhile, China's apparel industry continued to face challenges, such as over-capacity, inventory backlog and excessive expansion of retail networks in the past. The apparel enterprises, however, had been generally well aware of the problems and already proactively adjusted their businesses in response. In addition, the apparel industry continued to put efforts to explore sales channels apart from the traditional ones. For instance, it is promoting the interaction between online and offline channels to adapt to new mode of consumption. Short-term impact to the industry is unavoidable amid the country's economic restructuring and industrial consolidation. However, this also presents good opportunities for enterprises to review and reform their businesses. The Group will strive to stay up to date on the market trends and thus enhance the competitiveness to maintain a sustainable and healthy growth for the long term.

BUSINESS REVIEW

Down Apparel Business

In the first half of financial year, which is low season for down apparel sales, the Group mainly sold off-season products. During the first half of 2014/15 financial year, the revenue of the down apparel business decreased by 19.2% year on year to RMB1,418.4 million, and accounted for 49.8% of the Group's total revenue. Sales volume of branded down apparel slightly decreased by 8.2% year on year to 6.0 million units.

As of September 30, 2014, the total number of retail outlets of the down apparel business under the Group (net) decreased by 3,436 to 8,216, and sales area decreased by approximately 18.7% as compared with those as of March 31, 2014. During the period, the number of self-operated retail outlets (net) decreased by 304 to 3,519; the number of third party distributor-operated retail outlets (net) decreased by 3,132 to 4,697. The percentage of self-operated retail outlets in the entire retail network increased to 42.8% from 32.8% recorded as at the end of March 2014. The number of retail outlets decreased mainly because the Group assessed regions and business districts and streamlined and consolidated the retail network of its down apparel brands during the low season to avoid the overlapping of the channels, in order to rationalise its retail network. In addition, the Group also closed those retail outlets which failed to meet its sales expectations or unable to meet its requirements in terms of brand image and services.

Retail network breakdown by down apparel brand

As at September 30, 2014	Bosideng		Snow Flying		Combo		Bengen		Total*	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
Specialty stores										
Operated by the Group	495	106	92	-83	19	-9	4	-15	610	-3
Operated by third party distributors	2,457	22	409	-309	96	-374	95	-597	3,057	-1,621
Subtotal	2,952	128	501	-392	115	-383	99	-612	3,667	-1,624
Concessionary retail outlets										
Operated by the Group	1,586	351	638	-294	565	-272	120	-83	2,909	-301
Operated by third party distributors	963	251	294	-239	307	-682	76	-633	1,640	-1,511
Subtotal	2,549	602	932	-533	872	-954	196	-716	4,549	-1,812
Total	**5,501**	**730**	**1,433**	**-925**	**987**	**-1,337**	**295**	**-1,328**	**8,216**	**-3,436**

Change: Compared with that as at March 31, 2014

* As at March 31, 2014, the Group's down apparel retail network included 576 retail outlets of other small down apparel brands, and all retail outlets under these brands were closed down during the period under review.

Retail network of down apparel business breakdown by region

	As at September 30, 2014	As at March 31, 2014	Change
Eastern China area	3,430	4,615	-1,185
Central China area	1,368	2,411	-1,043
Northern China area	1,068	1,285	-217
Northeast China area	928	1,274	-346
Northwest China area	695	1,206	-511
Southwest China area	727	861	-134
Total	**8,216**	**11,652**	**-3,436**

Areas:
Eastern China area: Jiangsu, Anhui, Zhejiang, Shanghai, Fujian, Shandong
Central China area: Hubei, Hunan, Henan, Jiangxi, Guangdong, Guangxi, Hainan
Northern China area: Beijing, Tianjin, Hebei
Northeast China area: Liaoning, Jilin, Heilongjiang, Inner Mongolia
Northwest China area: Xinjiang, Gansu, Qinghai, Shaanxi, Ningxia, Shanxi
Southwest China area: Sichuan, Tibet, Chongqing, Yunnan, Guizhou

Main Tasks in the First Half of the Financial Year:

1. ***Planning and implementation of inventory reduction***

   Sale of old inventories: The Group formulated new sales prices for the inventories accumulated in different years to effectively accelerate sales. The Group added sales channels that specialise in reducing inventories and boosted sales, including discount stores, temporary promotional stores, chain stores, large-scale bargains in villages and towns in remote areas and factory stores.

   Control of new inventories: New production was mainly for products of Bosideng and Snow Flying brands. The Group will fully control the production amount of new products in 2014. The Group will make adjustment to orders placed by distributors and strictly control the overall production amount based on actual sales. It is expected that the final total production volume would decrease by approximately 25% as compared to that of last year. In addition, the Group continued to improve its logistics. The Central Logistic Center will enable the sharing of inventories and further reduce the inventories needed in each area, so as to enhance operational efficiency and flexibility of inventories allocation.

2. ***Strengthening retail management and enhancing data analysis and application***

   Striving for operation refinement: During the period under review, the Group adopted a series of measures to enhance retail operating capability: more meticulous store data analysis such as product portfolio, sales speed and profitability, etc.; quicker responses to market through real-time data collection, automatic statement release and prompt adjustment to sales strategy; higher efficiency of logistics and warehouses for immediate stock replenishment to ensure sufficient product supply; enhancing training, especially professional training for frontline employees such as store managers to foster the efficient use of human resources, financial resources and information.

3. ***Taking more efficient advertisement and promotion channels to proactively support business development***

   Adjustment of media strategies: The Group will moderately reduce overt advertisements this year and increase the use of new media. In the past, the Group placed its overt advertisements mainly in CCTVs, satellite television stations and highway billboards. This year, the Group will take more advantage of the Internet, to enhance the brand and image. The Group will apply the We Media (such as subscription services at WeChat) to increase the consumers' understanding on the functions of its products and enhance brand experience through emotional relation of brand image. It will also capitalize on the new trends in consumption by increasing the media exposure of its brands through deep cooperation with popular media channels (such as Youku) on the Internet. The Group will also leverage on the social media to promote its brands and increase consumer participation in its interactive marketing campaigns. The new media strategy will save promotional costs and will bring comprehensive marketing effects.

   Marketing campaigns at commercial districts to support retail outlets nearby: Apart from traditional and emerging advertisements, the Group displayed and promoted its brand image simultaneously in over 2,000 retail outlets. The Group launched campaigns to promote its brand in key business districts and strengthened close collaboration with adjacent stores. In addition, this year, the Group also explored cross border cooperation in popular public relation activities to carry out product placement. Such event prominently displayed the brand image and enabled the Group to obtain customer information in the process.

4. *Exploration of O2O model in e-commerce*

Offline supply chain and logistics support online sales: The Group actively explored and gradually connected online channels with offline channels. During the period under review, the Group realized sharing of offline goods in 19 sales regions nationwide such as Shanghai and Beijing, indicating that the delivery, return and replacement of online orders could be done by places closest to where the orders were placed, as a result of which, the time of delivery was reduced. The sharing of online and offline channels enriched online product lines, and improved customer experience effectively. It is expected that approximately 30% of e-commerce orders in this financial year would be completed by offline distribution.

Proactively boosting mobile e-commerce: The Group leveraged on its offline business to boost online business, by introducing the WeChat function into its online shopping terminals through which it encouraged customers to download online shopping application and register membership. On the other hand, the Group conducted promotional activities at the retail stores by making use of membership information, so as to realize the interaction between online and offline platforms.

OEM Management Business

During the period under review, the revenue from the Group's OEM management business increased significantly by 54.8% year on year to RMB1,011.2 million, and accounted for 35.5% of the Group's revenue. The revenue from this business segment increased mainly because a majority of orders in this financial year was completed and delivered by the end of September.

The Group had 11 major OEM clients this financial year. Revenue from the top five clients accounted for approximately 78% of the revenue from the OEM management business.

Non-down Apparel Business

During the period under review, the revenue from non-down apparel business increased by approximately 5.1% year on year to RMB419.9 million, and accounted for 14.7% of the Group's revenue. During the period, the Group continued to adjust the sales channels, reduce inventory and optimize product portfolio for its non-down apparel brands.

Retail outlets of different brands which had been underperforming were gradually closed down during the period. As of September 30, 2014, the total number of non-down apparel retail outlets decreased by 114 to 1,049 as compared to that as of March 31, 2014.

Retail network breakdown by non-down apparel brand

As at September 30, 2014	Bosideng MAN Number of stores	Bosideng MAN Change	JESSIE Number of stores	JESSIE Change	Mogao Number of stores	Mogao Change	Total* Number of stores	Total* Change
Specialty stores								
Operated by the Group	27	-5	3	–	–	–	30	-6
Operated by third party distributors	248	-40	40	-3	93	-16	381	-59
Subtotal	275	-45	43	-3	93	-16	411	-65
Concessionary retail outlets								
Operated by the Group	54	-22	109	3	194	-15	357	-57
Operated by third party distributors	212	16	69	-5	–	–	281	8
Subtotal	266	-6	178	-2	194	-15	638	-49
Total	**541**	**-51**	**221**	**-5**	**287**	**-31**	**1,049**	**-114**

Change: Compared with that as at March 31, 2014

* The Group has terminated the RICCI brand during the period under review, RICCI was a non-down apparel brand under the Group and had 27 retail outlets as at March 31, 2014.

Retail network of non-down apparel business breakdown by region

	As at September 30, 2014	As at March 31, 2014	Change
Eastern China area	258	297	-39
Central China area	308	322	-14
Northern China area	55	64	-9
Northeast China area	113	130	-17
Northwest China area	150	168	-18
Southwest China area	165	182	-17
Total	**1,049**	**1,163**	**-114**

Areas:
Eastern China area: Jiangsu, Anhui, Zhejiang, Shanghai, Fujian, Shandong
Central China area: Hubei, Hunan, Henan, Jiangxi, Guangdong, Guangxi, Hainan
Northern China area: Beijing, Tianjin, Hebei
Northeast China area: Liaoning, Jilin, Heilongjiang, Inner Mongolia
Northwest China area: Xinjiang, Gansu, Qinghai, Shaanxi, Ningxia, Shanxi
Southwest China area: Sichuan, Tibet, Chongqing, Yunnan, Guizhou

Bosideng MAN

During the period, the revenue of the Bosideng MAN business increased by approximately 16.4% year on year to RMB111.7 million. The Group adjusted the positioning of Bosideng MAN by emphasizing good value for money of its products, and now targeting aspirants for success in the 25-40 age group with style of products approximately 5-10 years younger when compared with the previous one.

The Group streamlined its retail network for Bosideng MAN: (1) The sales channels are classified by types and quality in the thorough assessment; (2) The Group assisted those agents with poor performance to enhance their businesses by streamlining and offering technical support after an assessment; and (3) It strengthened the retail management of direct retail outlets to increase operational capability. During the period, same-store sales growth of major direct retail outlets significantly improved. As of September 30, 2014, the total number of menswear retail outlets (net) decreased by 51 to 541, of which, self-operated retail outlets (net) decreased by 27 to 81 and distributor-operated retail outlets (net) decreased by 24 to 460.

JESSIE

During the period, the revenue of the JESSIE business increased by approximately 9.0% year on year to RMB133.3 million. The Group adjusted the product portfolio, increased the proportion of accessories and improved revenue through sales of related products for the brand during the period. Major goals of JESSIE for the period include reducing inventory and optimizing retail network. It assigned sales of different products to different types of sales channels such as hypermarkets, in order to clear inventories. It adjusted and optimized its retail network by slowing down the opening of new stores and closing the underperforming retail outlets. It also successfully tapped into key department stores such as Yaohan and Ginza in major regions including Shanghai and Shandong. In addition, the Group also succeeded in expanding its JESSIE business to other cities with huge potential such as Hainan, which will provide a springboard for further business expansion. As of September 30, 2014, the total number of retail outlets for JESSIE (net) decreased by 5 to 221, including 112 self-operated outlets and 109 distributor-operated retail outlets.

Mogao

During the period, the revenue of the Mogao business slightly decreased by approximately 2.7% year on year to RMB164.1 million. During the period, the Group effectively cleared inventories by exploring new channels such as factory stores and hypermarkets for Mogao. At the same time, the Group reduced costs and further improved efficiency by combining and centralizing the orders for its products as it decreased the number of processing factories in its supply chain. Furthermore, the Group lets stores to procure stock alone instead of doing so through a centralized order as they used to do in the past so that the product portfolios in the stores could better satisfy demands in various regions. During the period, the Group also started to adjust its retail networks and continued to improve its sales channels for Mogao so as to prepare for further business and retail network expansion in the future. As of September 30, 2014, the total number of retail outlets for Mogao (net) decreased by 31 to 287, including 194 self-operated retail outlets and 93 distributor-operated retail outlets.

Overseas Operations

London Flagship Store: London flagship store continued to develop its business in an orderly manner during the period. Entering the third year of operation, with the stronger operational and retail experience accumulated and after thorough study and consideration, London flagship store plans to actively expand the down apparel series this year. By leveraging on the enormous resources and brand awareness of the Group in down apparel products, the Group will introduce more down apparel products, which is expected to account for more than half of the fall/winter collection. Such move will not only enrich the product portfolio of the flagship store, but is also expected to effectively boost sales.

Export Business of Own Brand Products: During the period under review, the Group achieved good progress in export of its own brand products. The orders for 2014 fall/winter collection were 28,100 pieces as compared to 7,600 pieces in the corresponding period last year, while the orders for 2015 spring/summer collection were 38,700 pieces as compared to 4,700 pieces in the corresponding period last year. During the period under review, the Group held or participated in three major product exhibitions: it continued to join Panorama Fair in Germany, held the Bosideng Product Launch Show in Italy and participated in Milan Fashion Week. The Group presented designs tailored for the local markets and demonstrated the strength of its Bosideng brand in the events, and received recognition and orders for its products from the local distributors and industry players alike. This has boosted the Group's confidence in its development in the European market.

OUTLOOK

The Group will remain prudent when developing the market in view of weak consumption, uncertain weather conditions and intensifying competition. It will continue to strive to enhance its competitiveness in order to lay the foundations in the second half of the financial year for its long-term development.

Adjustment and improvement of down apparel business: We will prepare for the new mode of consumption. The Group has adopted measures to decrease its inventory level and improve its cash flow. We are gradually improving our operating efficiency by improving data management. Our move to reshape the brand will enhance our brand equity. The Group will also leverage on the Internet to further promote O2O.

International layout: We will further expand the operation of our overseas flagship stores and our own down apparel brands and fully consolidate the Group's resources to enhance Bosideng's status and competitiveness in the global down apparel market.

Diversified development: The Group will proactively pursue opportunities for new business and external alliances as it is aspiring to become an integrated and multi-brand apparel operator.

FINANCIAL REVIEW

Revenue

For the six months ended September 30, 2014, the Group recorded a revenue of approximately RMB2,849.5 million (2013: approximately RMB2,809.2 million), representing an increase of approximately 1.4% as compared to the corresponding period of last year. The increase of revenue is mainly attributable to the increase of revenue from the OEM management business and the non-down apparel business, up approximately 54.8% and 5.1%, respectively as compared to the corresponding period of last year. In respect of the down apparel business, the Group focused on minimising inventory in the period, as well as re-positioning the brand and optimising the management and sales channels to meet the market demand, and during the restructuring period, the revenue decreased by approximately 19.2% as compared to the corresponding period of last year.

The revenue of the Group is mainly derived from branded down apparel business, the revenue from which amounted to approximately RMB1,418.4 million, accounting for approximately 49.8% of the Group's total revenue. The revenue from non-down apparel business amounted to approximately RMB419.9 million, accounting for approximately 14.7% of the Group's total revenue. The revenue from OEM management business amounted to approximately RMB1,011.2 million, accounting for approximately 35.5% of the Group's total revenue.

Revenue breakdown by segment

	For the six months ended September 30				
	2014		2013		
	RMB million	% of total revenue	RMB million	% of total revenue	Changes in %
Down apparel					
– Self-owned	286.9	10.1%	318.4	11.3%	-9.9%
– Wholesale	1,088.2	38.2%	1,382.7	49.2%	-21.3%
– Others[1]	43.3	1.5%	55.2	2.0%	-21.6%
Sub-total	1,418.4	49.8%	1,756.3	62.5%	-19.2%
Non-down apparel					
– Self-owned	258.6	9.1%	242.6	8.6%	6.6%
– Wholesale	158.7	5.5%	154.7	5.5%	2.6%
– Others[2]	2.6	0.1%	2.2	0.1%	18.2%
Sub-total	419.9	14.7%	399.5	14.2%	5.1%
OEM management	1,011.2	35.5%	653.4	23.3%	54.8%
Total	**2,849.5**	**100.0%**	**2,809.2**	**100.0%**	**1.4%**

(1) *Represents sales primarily of raw materials related to down apparel products and other licensing fee, etc.*
(2) *Represents revenue from rental income, etc.*

The down apparel business of the Group is mainly derived from the revenue of wholesale, which accounted for approximately 76.7% of the total down apparel revenue during the period under review, as compared to 78.7% for the corresponding period of last year. Among the four down apparel brands, Bosideng contributed the largest part of the revenue of approximately RMB1,039.9 million, accounting for approximately 73.3% of the total down apparel revenue, while Snow Flying contributed approximately RMB150.1 million, accounting for approximately 10.6% of the total down apparel revenue. The revenue from sales of Bengen and Combo amounted to approximately RMB9.3 million and RMB128.8 million, accounting for approximately 0.7% and 9.1% of the total down apparel revenue, respectively.

Revenue breakdown by down apparel brand

	For the six months ended September 30				
	2014		**2013**		
Brands	**RMB million**	**% of branded down apparel sales**	**RMB million**	**% of branded down apparel sales**	**Changes in %**
Bosideng	1,039.9	73.3%	1,007.5	57.4%	3.2%
Snow Flying	150.1	10.6%	280.6	16.0%	-46.5%
Bengen	9.3	0.7%	164.6	9.4%	-94.3%
Combo	128.8	9.1%	202.3	11.5%	-36.3%
Other brands	47.0	3.3%	46.1	2.6%	2.0%
Others	43.3	3.0%	55.2	3.1%	-21.6%
Total down apparel revenue	**1,418.4**	**100.0%**	**1,756.3**	**100.0%**	**-19.2%**

The Group's non-down apparel brands included Bosideng MAN, JESSIE and Mogao. The revenue from sales of Bosideng MAN and JESSIE ladies' wear amounted to approximately RMB111.7 million and RMB133.3 million, accounting for approximately 26.6% and 31.7% of the total non-down apparel revenue, respectively. The revenue from sales of Mogao amounted to approximately RMB164.1 million, accounting for approximately 39.1% of the total non-down apparel revenue.

Revenue breakdown by non-down apparel brand

	For the six months ended September 30				
	2014		**2013**		
Brands	**RMB million**	**% of non-down apparel sales**	**RMB million**	**% of non-down apparel sales**	**Changes in %**
Bosideng MAN	111.7	26.6%	96.0	24.0%	16.4%
JESSIE	133.3	31.7%	122.3	30.6%	9.0%
Mogao	164.1	39.1%	168.7	42.2%	-2.7%
Others	10.8	2.6%	12.5	3.2%	-13.6%
Total non-down apparel revenue	**419.9**	**100.0%**	**399.5**	**100.0%**	**5.1%**

Cost of sales and gross profit margin

During the period under review, cost of sales increased as a percentage of revenue as compared to the corresponding period of the last year. It amounted to approximately RMB1,500.0 million, accounting for 52.6% of the Group's revenue, as compared to approximately RMB1,422.1 million, accounting for 50.6% of the Group's revenue, for the corresponding period of last year.

The gross profit margin of branded down apparel, non-down apparel and OEM management business for the period under review was approximately 67.8%, 51.0% and 17.1%, respectively, as compared to 58.7%, 56.2% and 20.0% for the corresponding period of last year. The gross profit margin of branded down apparel was 9.1 percentage points higher as compared to the corresponding period of the last year, which was mainly attributable to the increase in the proportion of Bosideng branded apparel sales with higher gross profit margin and the utilization of provision for price-loss of inventory. The gross profit margin of non-down apparel decreased by 5.2 percentage points, which was mainly attributable to the reduction of menswear inventory through the various promotion platforms. The gross profit margin of OEM management business decreased by 2.9 percentage points, which was mainly attributable to the change of order mix.

Distribution expenses

The Group's distribution expenses, mainly comprising of advertising, promotion, concession fees, rental and salary and welfare, amounted to approximately RMB671.5 million, representing a decrease of 18.9%, as compared to approximately RMB828.2 million for the corresponding period of last year. Distribution expenses accounted for 23.6% of total revenue, representing a decrease of 5.9 percentage points as compared to 29.5% for the corresponding period of last year. The decrease in actual expenditure during the period under review was due to the decrease in the number of stores, as well as the decrease of salary and welfare, expenses of store decoration and rental, which was caused by sales channel streamlining by the Group; and the Group has implemented a series of cost-saving measures to promote directly in the stores, thus reducing the overt advertising expenses.

Administrative expenses

The administrative expenses of the Group, which mainly comprised of salary and welfare, travel expenses, office expenses and bad and doubtful debts provision, amounted to approximately RMB339.3 million, representing an increase of 37.0% as compared to approximately RMB247.6 million for the corresponding period of last year. The increase was mainly attributable to the provision for bad and doubtful debts and the one-off expenses from deployment of human resources and restructure. During the period, administrative expenses accounted for 11.9% of the Group's revenue, representing an increase of 3.1 percentage points as compared to 8.8% for the corresponding period of last year.

Operating profit

For the reasons stated above, for the six months ended September 30, 2014, the Group's operating profit decreased by 10.7% to RMB306.6 million. Operating profit margin for the period under review was 10.8%, representing a decrease of 1.4 percentage points as compared to 12.2% for the corresponding period of last year, such decrease was mainly due to the one-off impairment of goodwill and customer relationship for apparels of menswear and ladieswear.

Finance income

During the period under review, the Group's finance income recognized in profit or loss decreased by 12.7% to approximately RMB96.4 million from approximately RMB110.5 million for the corresponding period of last year.

Finance costs

During the period under review, the Group's finance costs mainly comprised interest for the loans borrowed from banks outside China, which increased by 49.5% to RMB57.5 million during the period.

Taxation

For the six months ended September 30, 2014, income tax expenses increased from RMB97.4 million to RMB101.7 million. The effective tax rate was approximately 28.5%, higher than the standard PRC income tax rate of 25%, which was mainly attributable to the combined effect of non-deductible expenses, tax losses not recognized as deferred tax assets of certain subsidiaries of the Group and preferential tax rate enjoyed by the subsidiaries.

Liquidity and financial resources

For the six months ended September 30, 2014, the Group's net cash used in operating activities amounted to approximately RMB1,643.0 million, as compared to a net cash used of approximately RMB150.6 million for the year ended March 31, 2014. Cash and cash equivalents as at September 30, 2014 amounted to approximately RMB1,986.5 million, as compared to approximately RMB2,118.0 million as at March 31, 2014.

The Group had available-for-sales financial assets, which comprised principal guaranteed short-term investments with banks in the PRC. Available-for-sale financial assets had expected but not guaranteed returns ranging from 2.27% to 5.7% (March 31, 2014: 3.8% to 6.21%) per annum.

As at September 30, 2014, the bank borrowings of the Group amounted to approximately RMB3,411.9 million (March 31, 2014: approximately RMB3,259.2 million). The gearing ratio (total debt/total equity) of the Group was 45.2% (March 31, 2014: 44.2%).

Capital commitments

As at September 30, 2014, the Group had capital commitments amounting to approximately RMB89.9 million (March 31, 2014: approximately RMB110.0 million).

Operating lease commitment

As at September 30, 2014, the Group had irrevocable operating lease commitments amounting to approximately RMB212.7 million (March 31, 2014: approximately RMB299.4 million).

Contingent liabilities

As at September 30, 2014, the Group had no material contingent liabilities.

Pledge of assets

As at September 30, 2014, bank deposits amounting to approximately RMB571.6 million (March 31, 2014: approximately RMB468.9 million) had been pledged to secure the Group's bank loans and banking facilities in relation to bills payable and letters of credit.

Financial management and treasury policy

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

Foreign currency exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated in RMB. Some of the Group's cash and bank deposits, including proceeds from the Group's initial public offering, were denominated in Hong Kong Dollars or US Dollars. The Company and some of its overseas subsidiaries adopted US Dollars as their functional currency. Any significant exchange rate fluctuations of Hong Kong Dollars or US Dollars against each entity's respective functional currency may have a financial impact on the Group.

As at September 30, 2014, the Directors considered the Group's foreign exchange risk was insignificant.

During the period under review, the Group did not use any financial instruments for hedging purposes.

Human Resources

The Group has implemented the restructuring of human resources to reduce the expenses. As at September 30, 2014, the Group had approximately 4,598 full-time employees (March 31, 2014: 5,940 full-time employees). Staff costs for the six months ended September 30, 2014 (including directors' remuneration in the form of salaries and other allowances) were approximately RMB353.7 million (2013: approximately RMB355.3 million).

The Group's remuneration and bonus policy is primarily based on duties, performance and length of service of each employee with reference to the prevailing market conditions. To provide a comfortable and harmonious living environment to employees of the Group, the Group offered the staff dormitory with hotel-styled management service to those non-local university graduates, professional technicians and management staff who do not have a living place in Changshu once they are employed by the Group.

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

As at September 30, 2014, no share option was granted by the Group under the Share Option Scheme.

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HKD1.2 cents (equivalent to approximately RMB1.0 cents) per ordinary share for the six months ended September 30, 2014. The proposed interim dividend is payable on or around February 12, 2015 to shareholders whose names appear on the register of members of the Company on February 4, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from February 2, 2015 to February 4, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend payable on or around February 12, 2015, all duly completed transfer forms must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on January 30, 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and deed of settlement of the Share Award Scheme, purchased on the Stock Exchange a total of 53,508,000 shares of the Company at an aggregate consideration of about HKD88.1 million.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Directors are of the opinion that the Company had complied with the code provisions of Corporate Governance Code (the "Code"), as set out in Appendix 14 to the Listing Rules for the six months ended September 30, 2014, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

Mr. Gao Dekang is the Chairman and the founder of the Group. Mr. Gao Dekang has also been the CEO of the Company till May 15, 2014. 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 to efficient business planning and decision-making of the Company. As all major decisions of the Group 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 of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

However, with effect from May 15, 2014, Mr. Gao Dekang ceased to act as the CEO of the Company and Dr. Liang Sheuh-Hvei took up the role as the CEO of the Company. Such arrangement is principally attributable to the increasing scale of the Company, which triggers the need of the Company to attract more professional talents and have a precise division of labour and management, so as to lay a more solid foundation for its long term business development. At the same time, such arrangement enables the Company comply with the requirements of Code provision A.2.1 and to raise the level of corporate governance.

The Board will also continue to review and monitor the practices of the Company for the purposes of complying with the requirements of the Code and maintaining a high standard of corporate governance practices of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://company.bosideng.com). The interim report for the six months ended September 30, 2014 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, November 27, 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Gao Dekang, Ms. Mei Dong, Ms. Gao Miaoqin, Ms. Huang Qiaolian, Mr. Mak Yun Kuen and Mr. Rui Jinsong; and the independent non-executive Directors are Mr. Dong Binggen, Mr. Wang Yao, Dr. Ngai Wai Fung and Mr. Lian Jie.