Stock Code: 3998

2018/19 ANNUAL REPORT

Bosideng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

波司登
BOSIDENG

COMPANY PROFILE

Bosideng International Holdings Limited (the "Company", together with its subsidiaries, the "Group") is a renowned operator in the People's Republic of China (the "PRC") with down apparel brands. Founded in 1976, the Group commenced its operation in extremely difficult conditions under the leadership of eleven rural workers, including Mr. Gao Dekang, with 8 domestic sewing machines.

With a focus on down apparel business, the Group has developed into an expert in down apparel which has been widely recognized by the consumers and a leader in the development of the industry. Currently, the Group's down apparel brands include *Bosideng, Snow Flying, Bengen, etc*. These brands have been supporting the Group in meeting the needs of different groups of customers and enhancing its position as a leader in the PRC market. Among them, the down apparel business under the Bosideng brand maintained a significant lead in the industry for consecutive 24 years (1995 -2018) in terms of sales volume in the PRC.

Currently, the Group's ladieswear brands include *JESSIE*, *BUOU BUOU*, *KOREANO*, *KLOVA*; and the school uniform brand includes *Sameite*.

The Group has been proactively implementing its strategies of brand development, which brought it a number of honours, including "China's World Famous Brand" (中國世界名牌產品) and "Leading Textile Clothing Brand in China" (中國紡織服裝領軍品牌). Looking forward, the Group will maintain the focus on its core down apparel business, upgrade its products and channels under the strategies of brand development and strive for the goal of becoming the most respected multi-functional apparel group in the world.

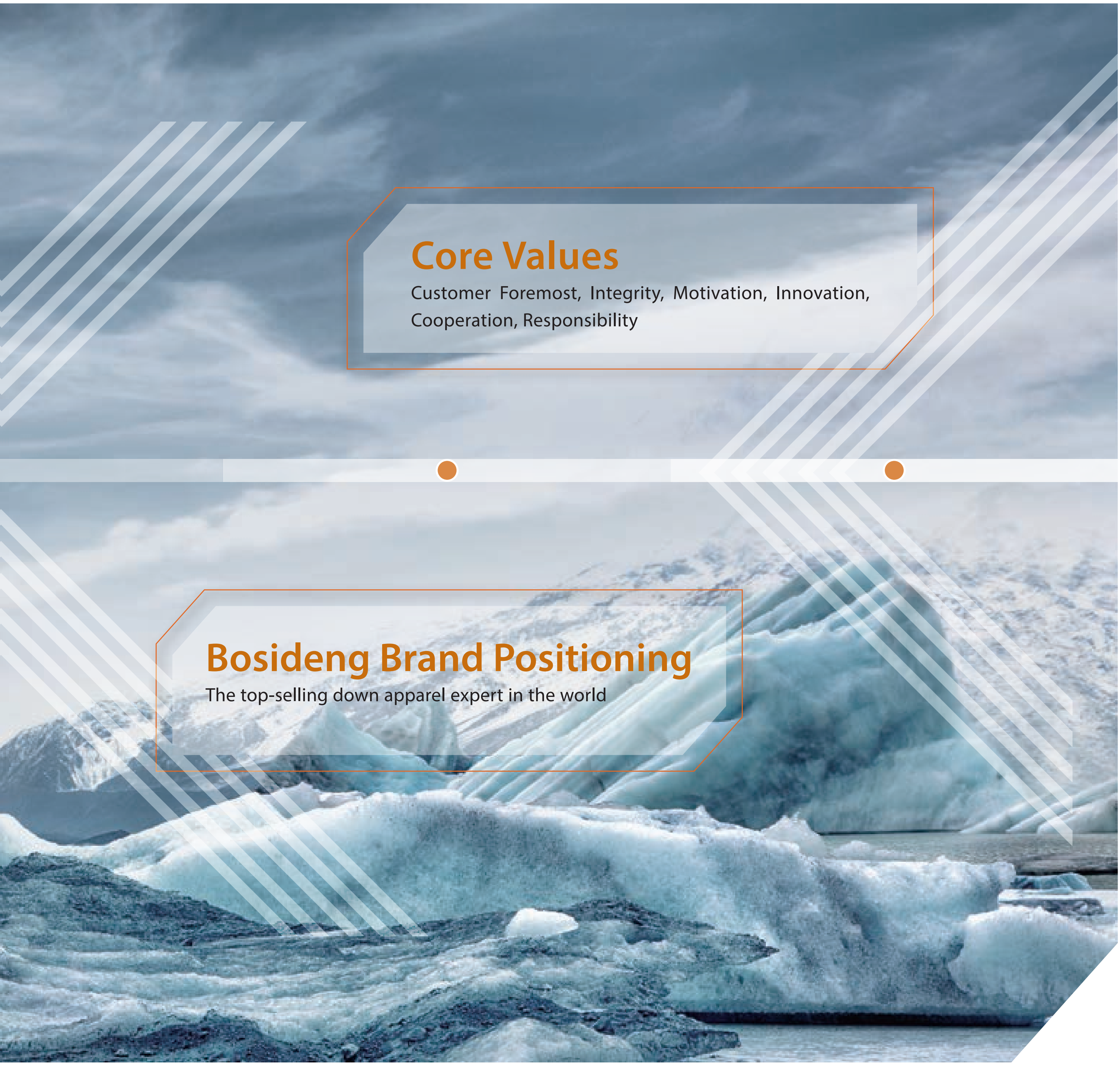
CONTENTS

Mission

Bosideng warms the world

Spirit

Overcome difficulties, No complaints, Self-discipline, Embrace innovation, Pursue excellence, Strive for the best



Core Values

Customer Foremost, Integrity, Motivation, Innovation, Cooperation, Responsibility

Bosideng Brand Positioning

The top-selling down apparel expert in the world

FINANCIAL HIGHLIGHTS

(All amounts in RMB thousands unless otherwise stated)

	For the year ended March 31,				
	2019	2018	2017	2016	2015
Revenue	**10,383,453**	8,880,792	6,816,599	5,787,321	6,292,569
Gross profit	**5,513,514**	4,119,102	3,163,204	2,609,218	2,870,009
Profit from operations	**1,370,765**	923,410	660,007	337,679	198,900
Profit attributable to:					
Equity shareholders of the Company	**981,316**	615,478	391,844	280,942	132,197
Non-controlling interests	**24,244**	24,043	(22,723)	(19,109)	5,726
Dividends per share (HKD cents):					
Interim	**2.0**	1.5	1.0	–	1.2
Final	**6.0**	3.5	0.5	2.6	1.0
Special	**–**	2.5	–	–	–
Total	**8.0**	7.5	1.5	2.6	2.2
Non-current assets	**3,944,547**	3,484,607	3,635,768	2,698,105	2,765,824
Current assets	**11,138,157**	10,958,555	10,482,633	9,457,503	9,722,882
Current liabilities	**4,795,859**	4,337,362	4,382,897	4,550,876	3,919,967
Non-current liabilities	**177,959**	323,032	380,277	152,427	1,154,840
Net current assets	**6,342,298**	6,621,193	6,099,736	4,906,627	5,802,915
Total assets	**15,082,704**	14,443,162	14,118,401	12,155,608	12,488,706
Total assets less current liabilities	**10,286,845**	10,105,800	9,735,504	7,604,732	8,568,739
Total equity	**10,108,886**	9,782,768	9,355,227	7,452,305	7,413,899
Gross profit margin (%)	**53.1**	46.4	46.4	45.1	45.6
Operating margin (%)	**13.2**	10.4	9.7	5.8	3.2
Net profit margin (%)*	**9.5**	6.9	5.7	4.9	2.1
Earnings per share					
– basic (RMB cents)	**9.32**	5.82	4.22	3.54	1.66
– diluted (RMB cents)	**9.17**	5.80	4.22	3.54	1.65
Current ratio (x)	**2.3**	2.5	2.4	2.1	2.5
Gearing ratio (%)	**16.1**	23.9	31.9	45.5	47.7

* Net profit margin is calculated by profit attributable to equity shareholders of the Company as a percentage of revenue

Believe in the brand, and we can see the future!

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Company's annual results for the year ended March 31, 2019.

In 2018, the global economy experienced a slowdown with a downturn and shrinkage in major capital markets. Bosideng re-embraced the spirit of entrepreneurship, revitalized its brand heritage and power by concentrating on its principal business and core brands. By giving full play to the strategy of making use of the leading role of brand as adopted in its start-up stage, Bosideng enhanced its brand energy, and worked to integrate global resources and intensified its effort in transforming in an all-around way in response to the change of time, aiming at achieving astonishing results during the economic downturn, and gaining recognition from consumers. In FY2018/19, the Group recorded a revenue of approximately RMB10.38 billion, representing a year-on-year increase of 16.9%, and net profit attributable to shareholders of approximately RMB980 million, representing a year-on-year increase of 59.4%. The Board recommended the distribution of a final dividend of HKD6.0 cents per ordinary share.


ACHIEVING ROBUST GROWTH IN PRINCIPAL BUSINESS WITH STRONG REVENUE AND PROFIT

Upon the potent return of the *Bosideng* brand, the position of down apparel business as the principal growth momentum for the Group has become more prominent. *Bosideng* brand's down apparel ranked first in the Chinese market for 24 consecutive years (1995–2018) in terms of sales volume, and *Bosideng* brand's omni-channel retail sales surpassed RMB10 billion. Meanwhile, the Group's down apparel business and original equipment manufacturing ("OEM") management business both achieved record highs in their revenue and profit.

ACHIEVING IMPROVEMENT IN "BRAND POWER" WITH CONSUMER COGNITION FURTHER ENHANCED

In the "2019 China Brand Evaluation Press Conference", *Bosideng* ranked first in the textile, garment, footwear and hat industry with a brand strength coefficient of 982 and brand value of approximately RMB24.302 billion. According to data from Ipsos, one of the world's top-three market research institutions, *Bosideng* achieved a top-of-mind awareness of 66% and brand recognition of 97%, firmly establishing its recognition as an "expert in down apparel" among consumers.

GAINING POPULARITY AMONG MAINSTREAM CONSUMERS WITH FASHION AND PROFESSIONALISM IN "PRODUCTS"

Bosideng has cooperated with internationally renowned design companies and top designers to study the fashion trend, strengthen capacity in research and development as well as in design and quality control and improve the trendiness and professional image of products for creating a brand with unique features and characteristics. Every effort rewarded *Bosideng* with popularity among mainstream consumers.

ACCOMPLISHING FRUITFUL RESULTS THROUGH BOTH ONLINE AND OFFLINE WITH "CHANNEL POWER" RESHAPED DEEPLY

In the past year, the Group has not only achieved remarkable breakthrough in the progress of offline construction, but also accomplished fruitful results in online business in 2018. On "double 11", the omni-channel sales of *Bosideng* brand's down apparel surpassed RMB740 million, representing a year-on-year increase of over 70%. On "double 12", the omni-channel sales of *Bosideng* brand's down apparel surpassed RMB510 million, representing a year-on-year increase of over 150%.

2018 was a year of progress, reform and regeneration for the Bosideng brand. What was the most valuable accomplishment was that Bosideng's brand value and professional quality were again recognized by mainstream consumers, for which we laid a solid foundation with our clear direction, suitable measures, powerful formulation, revised concept, as well as our effort in keeping pace with times and pursuing innovation. Our business achieved high-quality growth, enabling consumers, distributors, investors and various sectors of society to envisage the hope of a strong rise in Chinese brands.

UPHOLDING BRAND CONFIDENCE

Fostering high-quality development with brand power

The outstanding achievements we made were far from accidental success in the market. Instead, they were inevitably brought about by the people working in Bosideng who re-embraced the spirit of entrepreneurship, worked assiduously and conducted innovative activities, while to much extent, such achievements were also spawned from Bosideng's 43 years of strong corporate culture, ingenuity and dedication to down apparel. Looking back, the year of 1995 witnessed Bosideng's ranking first in terms of market sales in China for the first time. And in the year of 1997, Bosideng started to represent China in releasing the latest trends of winter clothes. We grew up in the great era of reform and opening up, profoundly experienced the vicissitudes of the 40 years of reform and opening up, while also endured the turbulence of international trade frictions. We actively explored new models of upgrade and development as a traditional industry brand. In 2018, all members of Bosideng changed their ways of thinking, united together and embraced innovation, so as to maintain our strategy and development direction from the perspective of consumers cognition, and propel the momentum for the multi-dimensional upgrade of channels, products and image with brand power, so that the recognition of "Bosideng equals down apparel" can be continuously enhanced and the value of product categories can be continuously released.

The brand is Bosideng's core competitiveness. Consumers choose the brand, and what Bosideng cherishes the most is also the brand. To this end, we have always strived to confront the "innovation war" to respond to the requirements of economic development in the new era with brand upgrading, and integrate with brand spread, channel image and broad product positioning. In terms of image upgrade, we raised the potential momentum of the brand, so that the *Bosideng* brand can be re-established among mainstream users. In terms of product upgrade, we integrated international forward-looking and high-quality resources, continuously promoted the "professional craftsmanship spirit", focused on fashion upgrade, functional upgrade and quality upgrade and cultivated high-quality fast-reaction capabilities, so that our products can outperform others. In terms of channel upgrade, we actively penetrated into the core business circle and mainstream channels and comprehensively upgraded the channel structure, channel quality, end image and product presentation, so that consumer experience can be enhanced.

As the Chinese national self-confidence is becoming stronger and the consumption concept is becoming more rational and mature, the enthusiasm for Chinese brands has been gradually rising with great expectations. This has laid a solid foundation for the future emergence of Chinese apparel brands and also gives us greater courage to stride towards the global fashion scene to participate in international market competition.

ADHERING TO BRAND LEADERSHIP

Exploring the "world's height" with Chinese enthusiasm

The past 70 years were magnificent years for Chinese talents to endeavor to achieve success and spawn power for breakthrough. The going is the toughest towards the end of a journey. 2019 is the year for the return of capital market value, and is also the key year for Bosideng to make a breakthrough. The brand is the highest leadership of a company, and brand confidence is the greatest cultural confidence. Believe in the brand, and we can see the future!

Since the beginning of the year, global trade frictions have been raging and the external economic environment has experienced rapid changes. It is necessary for us to maintain the focus on our development and long-term strategic vision during these hard times, and to have a full understanding of and the ability to address certain risks and challenges through enhancing our awareness of risks. We must adhere to "be ourselves", self-improvement, solid foundation, wide exploration and constant improvement, and attach more importance to coexistence and open innovation. We endeavor to enhance our market-oriented approach to promote the establishment of a mutually beneficial alliance with innovative partners, and build up "a common destiny for brand", so that global innovative resources can become our resources. We can also expand profoundly by actively integrating ourselves into the construction of the "Belt and Road Initiative".

In the face of a major change unseen in the past 100 years, we must not forget our great mission of "Bosideng warms the world". To become the most respected functional apparel group in the world is our unswerving pursuit. The value and power of the brand has become the most important strategic resource for Bosideng to stride towards the global scene. It is our solemn and sacred promise to embody the fundamental spirit of the brand, to re-embrace customer value, to cultivate and harvest in the field of our own expertise, and to become a global leader.

We will stick to our strategic direction of focusing on our principal business and key brands. By increasing input of resources to support our strategies, and embracing the "Belt and Road Initiative", we adhere to the ideology of openness and innovation to achieve a win-win cooperation. Through the integration of first-class design, research and development, production and channel resources in the world, we will continuously acquire consumer's recognition, while endeavor to become a globally influential brand in both fashion and expertise.

We will adhere to the brand-oriented development model. We will promote China's high-end, luxury and valuable products to the international market by adding innovative design and technology into our products, so that young people around the world will be proud of wearing "China's Bosideng".

We will uphold our fundamental mission of "warming the world". Seizing the trend of supply-side reform and consumption upgrade and being the strong backbone for "Made in China" and "Chinese fashion", we will explore the "world's height" with Chinese enthusiasm and put unremitting efforts to achieve high-quality development and foster a beautiful new life for the people, giving back to the nation with our magnificent results for her 70th anniversary.

Lastly, on behalf of the Board of Directors, I would like to thank all shareholders, business partners and customers for their long-term support, understanding and trust to the Group, and sincerely thank all employees for their hard work and dedication. We will not forget our fundamental mission and will forge ahead, create greater value returns for our shareholders and investors and deliver fruitful results!

Gao Dekang
Chairman and President
June 26, 2019

Since 2018, the economy of China experienced change and faced a rough patch in its course of stable growth while being exposed to downward pressure due to the complicated and harsh external environment. According to data from the National Bureau of Statistics, China's GDP growth was 6.6% in 2018, the lowest since 1990. Under such a challenging economic environment, enterprises can establish a presence only through continuous innovation and development. At the macro level, China's retail market is expected to grow at a compound annual growth rate (CAGR) of 9% from 2017 to 2022. It maintains an upturn, but has slowed down compared to the 12% of growth rate from 2012 to 2016. However, despite facing such environment, with the upgrading and transformation of the mass consumption structure, consumers are more diversified and dominant in brand selection, high-quality and high-profile domestic brands have become the best choice for mass consumption. According to statistics, in 2018, the amount of orders for Chinese branded goods was 14% higher than that of international brands on a year-on-year basis. In 2018, the volume of orders for Chinese branded goods was 8% higher than that of international brands on a year-on-year basis.

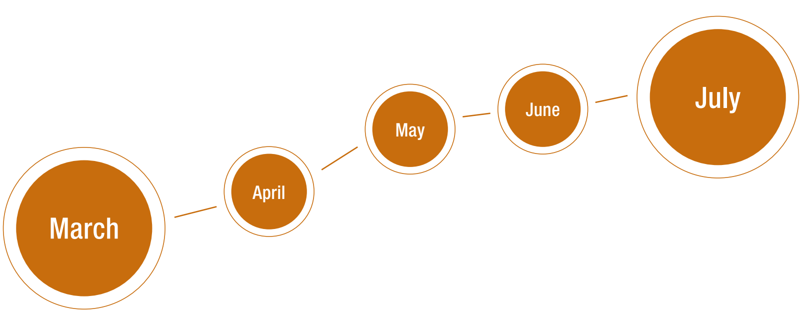
Milestones for promotion of Bosideng brand

Launching the new brand strategy with a thousand of Bosideng stores changing to new logo

In FY2018/19, on the day when Bosideng launched the new logo for the brand, more than a thousand stores nationwide simultaneously put on the new logo at the front door. The brand new Bosideng logo has strong brand identity and a sense of national pride. This activity was one of the key moves of channel system upgrade.

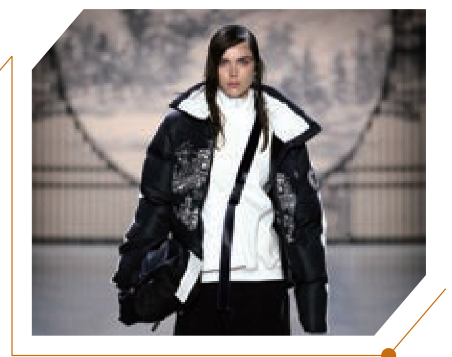
Unveiling Bosideng's strategy and new brand image

At the Beijing Water Cube Show, the brand's new strategy, positioning and image were unveiled, representing the first milestone event of the 2018 brand reshaping.



Bosideng debuting at New York Fashion Week as the "Down Apparel Expert" in the international arena

Being an independent and officially invited brand, the Bosideng brand participated in the Fashion Week event held in New York in September 2018 and performed a home show. The event mainly featured brand image reshaping. The event was supported and recognized by a number of celebrities from China and abroad, which drew global attention and heated discussions. In addition to attention between industry and media, positive feedbacks from consumers were received on the brand transformation. The livestream of the show on that day attracted over 1.2 million views.



September

August

Introducing the integrated media approach with growing brand recognition

Through combining media usage including CCTV, Chinese local satellite television stations, Focus Media, the Internet, the integrated media approach has started to take effect. Market feedbacks have indicated that Bosideng brand's recognition has rapidly enhanced. In particular, the interactive content of the Internet can effectively mobilize customers, enhance the awareness and preference of Bosideng brands in the consumer market, and better promote the brand's youthful, fashionable and functional positioning.

Cooperating with three international designers to launch cross-over collection, Bosideng has become a cross-border pioneer of Chinese branded down apparel

In October 2018, the Bosideng brand has teamed up with Tim Coppens, Ennio Capasa and Antonin Tron, the three major international designers from the US, Italy and France, respectively, to unveil "Bosideng and International Designer Joint Collection". This product collection attracted consumers' attention and hot discussions both online and offline, and caused a purchasing boom. During the double 11 period, this product collection was sold out within 5 minutes.

October

November

December

January

February

Strengthening interaction and cooperation with new media, Bosideng actively explores new channels for brand development

The Bosideng brand continued to strengthen cooperation in the new media section. In addition to the original traditional placement of advertisements and promotion, it also actively explored new media resources and secured full cooperation. Such mode of cooperation was not only limited to traditional advertising, but also targeted to further enhance consumer cognition based on consumer cognitive habits and social media trends by enriching the content of cooperation.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The past FY2018/19 marked the Group's great year of historical significance in our course of development. The Group reconsidered its original target of starting its business and clarified its strategic principle of focusing on its principal business and key brands while implementing de-diversification to focus on its principal business. Under the direction of this strategy, the management and all employees were determined to develop our entrepreneurial spirit of working arduously and innovatively to pursue excellence and attain the best result under concerted efforts. They persisted in rebranding, optimizing channel, innovating products and revitalizing terminals, and achieved excellent results under the unfavorable market.

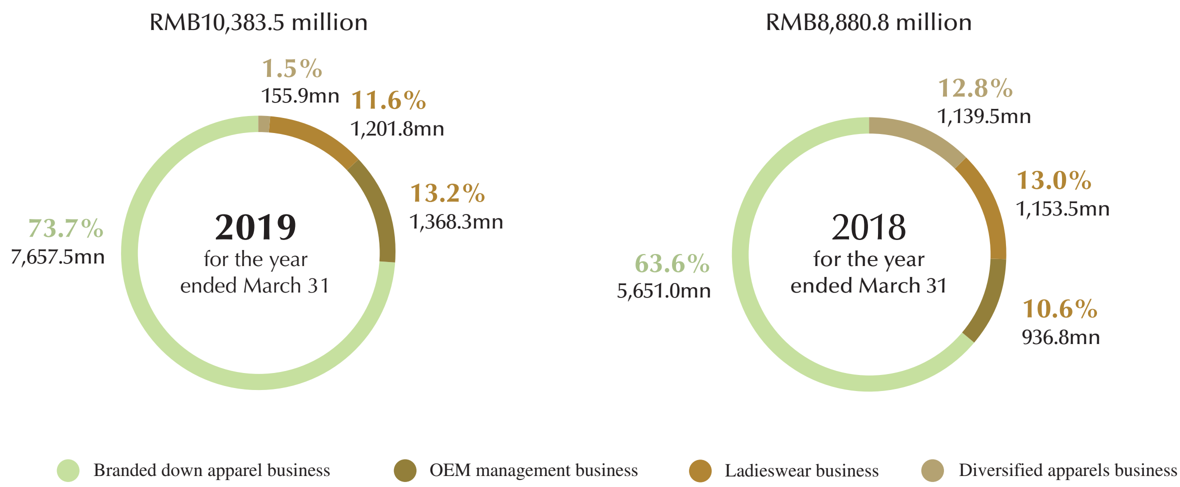
REVENUE ANALYSIS

FY2018/19 marked the first year of the Group's strategic transformation. In addition to vigorously promoting brand building, the Group attached great importance to adjusting product structure, optimizing sales channel and enhancing the construction of retail sales terminal. Leveraging on our efforts made to upgrade our brand, product, channel and terminal, the Group enhanced the awareness of the *Bosideng* brand and the brand influence among consumers. This has driven a steady increase in the sales of branded down apparel and the Group's total revenue.

For the year ended March 31, 2019, revenue of the Group amounted to approximately RMB10,383.5 million, representing an increase of approximately 16.9% as compared to that for the corresponding period of last year. The branded down apparel business, OEM management business, ladieswear business and diversified apparels business are the Group's four main businesses.

The branded down apparel business remained the biggest revenue contributor of the Group, and recorded revenue of approximately RMB7,657.5 million, accounting for 73.7% of the total revenue, representing a year-on-year increase of 35.5%. OEM management business recorded revenue of approximately RMB1,368.3 million, accounting for 13.2% of the total revenue, representing a year-on-year increase of 46.1%. Ladieswear business recorded revenue of approximately RMB1,201.8 million, accounting for 11.6% of the total revenue, representing a year-on-year increase of 4.2%. According to the Group's strategic policy, the diversified apparels business contracted in the past year, accounting for 1.5% of the total revenue.

Revenue by Business



Branded Down Apparel Business:

In FY2018/19, the Group adapted to the changing environment and moved in line with trends. The Group focused on our principal objective of "giving priority to functionality" to strengthen our core down apparel business. Focusing on brand position of "top-selling down apparel expert in the world", the Group further rebuilt and optimized brand image and put forward strategies and marketing measures for brand building. With enhanced brand strength and power, the Group returned to mainstream business segment, optimized the channel structure, improved images of certain stores and adjusted the shelf display, thus improving the ability of terminal sales. For the year ended March 31, 2019, the Group's branded down apparel *Bosideng* brand recorded an increase of 38.3% in revenue to approximately RMB6,849.2 million as compared to that for the corresponding period of last year. The revenue of the overall branded down apparel business segment increased by 35.5% to approximately RMB7,657.5 million as compared to that for the corresponding period of last year.

Brand Building

In terms of brand image upgrading, *Bosideng* launched a new brand logo and initiated the project of "upgrading image of thousands of stores", so as to promote a new image. It integrated global quality resources for shooting innovative brand advertising video and brand image blockbuster, which effectively promoted the upgrading of brand visual image.

In terms of publicity and promotion, *Bosideng* conducted a series of brand activities throughout the year, including high profile brand public relations and integrated marketing events such as the new product release in Beijing Water Cube, being officially invited to participate in New York Fashion Week, the release of crossover product series with international designers, the release of high-end outdoor series and the strategic outcome conference. This attracted great attention from consumers and the whole textile and apparel industry and yielded fruitful achievements.

Meanwhile, the *Bosideng* brand was further upgraded due to cooperation with internationally renowned IP. Marvel's IP cooperation has been enhanced on top of the original Walt Disney Company's image collection. The launch of new products was well received and sought after among young consumers.

According to the follow-up report of tracking the health of the *Bosideng* brand by Ipsos, the current scores for first mentioned awareness rate, Net Promoter Score (NPS), brand reputation and awareness among the Chinese consumers of *Bosideng* were 66%, 49%, 8.69 and 97%, respectively, all of which have greatly increased compared with the previous year, and also took the lead in the industry.

Centering around brand building, during the past year, the Group has brought some visual sensations to consumers under different scenarios and intervals, which drew great attention from the market. The main work is summarized as follows:

Introducing the integrated media approach with growing brand recognition

Through combining media usage including CCTV, Chinese local satellite television stations, Focus Media and the Internet, the integrated media approach has started to take effect. Market feedbacks have indicated that *Bosideng's* brand's recognition has rapidly enhanced. In particular, the interactive content of the Internet can effectively mobilize customers, enhance the awareness and preference of *Bosideng's* brands in the consumer market, and better promote the brand's youthful, fashionable and functional positioning.

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Being an independent and officially invited brand, the *Bosideng* brand participated in the Fashion Week event held in New York in September 2018 and performed in the show. The event mainly featured brand image reshaping. The event was supported and recognized by a number of celebrities from China and abroad, which drew global attention and heated discussions. In addition to the attention from the industry and media, positive feedbacks from consumers were received on the brand transformation. The livestream of the show on that day attracted over 1.2 million views.

Cooperating with three major international designers to launch crossover collection, *Bosideng* has become a cross-border pioneer of Chinese branded down apparel

In October 2018, the *Bosideng* brand teamed up with Tim Coppens, Ennio Capasa and Antonin Tron, the three major international designers from the US, Italy and France, respectively, to unveil the "*Bosideng* and International Designer Joint Collection". This product collection attracted consumers' attention and hot discussions online and offline, and caused a purchasing boom. During the double 11 period, this product collection was sold out within 5 minutes.

Management Discussion and Analysis

Strengthening interaction and cooperation with new media, *Bosideng* actively explores new channels for brand development

The *Bosideng* brand continued to strengthen cooperation in the new media section. In addition to the original traditional placement of advertisements and promotion, it also actively explored new media resources and secured cooperation opportunities. Such scope of cooperation was not only limited to traditional advertising, but the scope was also expanded to further enhance consumer knowledge based on consumer's behavioural habits and social media trends.

Inventory Management

The Group is committed to optimizing inventory management and maintaining inventory at a healthy level. The Group will continue to implement stringent production and product planning, while maintaining the demand-pull mechanism in certain sales regions to realize the combination of production and marketing, and avoid unnecessary inventory accumulation. Through continuous enhancement of the assistance and interaction among various business segments, the Group has strengthened the real-time capture and analysis of terminal retail data, and has continuously adjusted and optimized the interactions between channels and terminals based on the data collected, with a view to constantly refining retail management and fundamentally improving the overall operational efficiency.

Order Management

During FY2018/19, the Group continued to completely separate order placements of direct sales and wholesale. Single-store orders are applied to self-operated stores, which mean products for sales in single stores will match the demand for orders and the stock will be replenished and products will be produced with reference to the actual demand. Meanwhile, distributors will adopt flexible modes for order placement and replenishment based on the scale of operation. The system has optimized the mix of orders placed at self-operated stores and those placed by distributors, and hence the Group managed to maintain the stability in order placement.

High Product Quality and Quick Response

High product quality and quick responses are the core competitive edges of the Group's supply chain, and also the key elements in sustaining the Group's efficient, healthy and long-term development. According to the current strategy on commodity management, the Group achieves the goal of high product quality and quick response with each order for down apparel products are placed for replenishing the stock while small quantities of new products will be launched to achieve a quick turnaround time. Meanwhile, the Group continued to replenish stock on a rolling basis during the peak season according to the sales data from the end consumers, and hence achieved the target of maintaining high product quality and quick response. This has greatly optimized the inventory management of channels.

Logistics and Delivery

The Group's central delivery centre ("CDC") serves all offline direct stores, franchised stores and e-commerce O2O businesses throughout the country (except for Xinjiang and Northeast China). It is not only responsible for warehousing, replenishment, returns and transfer, transportation and distribution, but also responsible for the data management. It is able to effectively allocate commodity resources ahead of time based on market changes, so as to respond to consumers' demand more quickly and accurately.

Riding on the concept of nationwide inventory management and the integration and sharing of data across online and offline operations, we set up a CDC and adopted a warehouse management system ("WMS") to manage all the inventories. At the same time, in order to respond more quickly to market demand, the CDC adopted distributed deployment, and set up five regional warehouses in Eastern China, Northern China, Central China, Northwest China and Southwest China. Compared with the two-tier distribution channel adopted in the previous financial year "where goods were delivered to the retail store regional distribution centre ("RDC") from the CDC according to orders and then delivered to the stores", a one-tier distribution channel has been

adopted in the current financial year "where goods are delivered directly from the CDC to the stores". Not only does it respond to market demands more quickly, but also allows it to realize sharing of goods throughout the nation. Moreover, capitalizing on our own smart replenishment system to achieve demand-pull restocking in the stores, we were able to ensure that bestsellers would not go out of stock. Sales were improved as a result. Next year, the Group plans to set up additional warehouses in Northeast China, Harbin and Urumqi, so that all the retail store RDC can be closed down, achieving direct distribution of goods through all the stores nationwide. It is hoped that this would reduce inventory warehousing costs and enable more effective management and control over buffer stock.

R&D of Products

Product innovation and keeping abreast of the times are the cornerstone for the brand development of *Bosideng*. From product design, research and development ("R&D"), innovation to production, the Group has a comprehensive system and process to ensure that new products meet market trends and consumers' demand.

In general, the R&D of a product is mainly divided into two phases. In the first phase, an in-depth consumer research will be conducted, and a series of core selling points will be proposed in the planning stage. The follow-up product centre will develop the products according to the requirements of the entities. In the second phase, after the completion of product development, the promotion and presentation plan will be formulated from the perspective of consumers, and systematic sets of documents will be issued. During this process, various trainings will be provided to ensure projects are implemented at every level. In the process of sales promotion, the designer will go to the stores and get in touch with consumers to collect first-hand consumer feedbacks for later improvement.

The FY2018/19 product collection is refreshing, which has attracted the attention of a broad market of consumers. The key new product collections of *Bosideng* brand down apparels include:

High-end outdoor collection:

The collection uses the world's top notch fabrics, GORE-TEX, the choice of fabrics for outdoor gear, and 800+ fill power goose down clusters with 90% down content, to launch a product which is better in terms of waterproof, windproof and breathability. This product collection is positioned as a high-end outdoor collection. Through its world-leading fabrics and accessories, high-quality goose down clusters and professional design details, the professional positioning of *Bosideng* is further enhanced and the scientific and technological connotation of the products is also enhanced.

Designers' collection:
Bosideng cooperated with many designers of different nationalities and different backgrounds in launching crossover down apparel collections that feature trendsetting designs and functionality. It is widely recognized and sought after by the market.

Marvel collection:
Bosideng cooperated with internationally renowned IP to further upgrade. Marvel's IP cooperation has been enhanced on top of the original Walt Disney Company's image collection. The launch of new products was well received and sought after among young consumers, which caused a market boom.

Puff collection:
The Puff collection is made of fabrics 60% lighter than general fabrics and high fill power large-size goose down clusters with 90% down content to make the products even lighter and warmer. The Puff collection has also incorporated internationally trendy elements. As a result, it was proven to be very popular among snappy dressers since its launch.

Multi-brand Strategies
The Group has focused on the development of *Bosideng* brands by reshaping them as mid-to-high-end functional brands, while maintaining the strategy of "Down apparel +" by leveraging its strengths in production, technology and distribution to continuously develop and position its down apparel business under its mid-end brand *Snow Flying* and high price-performance ratio brand *Bengen*, as part of its efforts in gaining market shares.

Snow Flying
The SPA (Specialty Store Retailer of Private Label Apparel) model was adopted to achieve a business scale of horizontal and vertical unification in the value chain. In terms of channel construction, the main strategy for FY2018/19 was channel penetration in lower-tier markets while focusing on the township market with better economy. In terms of terminal construction, the terminal image was upgraded in FY2018/19, and some decoration resources were invested, this has effectively improved the image of the brand terminal and promoted the improvement of terminal sales. At the same time, in the past year, the *Snow Flying* brand actively developed e-commerce operations and improved member management. The membership system based on WeChat Official Account has been established and operated smoothly, and all online and offline member management standards are established and operated in an unified manner.

Bengen
During FY2018/19, through targeted positioning its own brand and corresponding market, the *Bengen* brand down apparel business is dedicated to adjusting the market structure and enhancing product power and channel power, highlighting elements of "trendiness, quality and elegance" in its products. In the past year, the biggest highlights of the *Bengen* brand down apparel were products and channels. In terms of products, according to brand positioning, it enhanced product fashion and developed towards youthfulness. In terms of channels, through the improvement of channel image, it carried out the structure optimization and image upgrading for some original channels and new channels, and matched the appropriate products with the appropriate channels.

Revenue from down apparel business by brand

Brands	For the year ended March 31, 2019 RMB million	2019 % of branded down apparel revenue	2018 RMB million	2018 % of branded down apparel revenue	Change
Bosideng	**6,849.2**	**89.5%**	4,953.7	87.6%	38.3%
Snow Flying	**361.5**	**4.7%**	315.5	5.6%	14.6%
Bengen	**213.4**	**2.8%**	203.3	3.6%	5.0%
Other brands	**2.6**	**0.0%**	112.5	2.0%	-97.7%
Others	**230.8**	**3.0%**	66.0	1.2%	249.7%
Total revenue from branded down apparel business	**7,657.5**	**100.0%**	5,651.0	100.0%	35.5%

Revenue from branded down apparel business by sale category

Sale categories	For the year ended March 31, 2019 RMB million	2019 % of branded down apparel revenue	2018 RMB million	2018 % of branded down apparel revenue	Change
Self-operated	**4,959.1**	**64.8%**	3,519.8	62.3%	40.9%
Wholesale	**2,467.6**	**32.2%**	2,065.2	36.5%	19.5%
Others*	**230.8**	**3.0%**	66.0	1.2%	249.7%
Total revenue from branded down apparel business	**7,657.5**	**100.0%**	5,651.0	100.0%	35.5%

* Represents sales of raw materials related to down apparel products and other licensing fees, etc.

Management Discussion and Analysis

FY2018/19 was the year in which the Group's channel structure was adjusted and channel building was enhanced. With the optimization of the channel structure, the Group had significantly increased the number of terminal stores in core commercial districts, such as shopping malls and department stores. Meanwhile, in this financial year, the Group had greatly enhanced the efficiency of terminal sales points through a number of flexible measures, including strengthening and improving the renovation of point of sales terminals, improving the display of goods, optimizing the quality of sales staff and closing down underperforming stores. As at March 31, 2019, the total number of selling points of the Group's down apparel business (net) increased by 162 to 4,628 compared to that of last year. Self-operated selling points (net) increased by 205 to 1,628; and selling points operated by third party distributors (net) decreased by 43 to 3,000. The self-operated and third-party distributor-operated selling points as a percentage of the overall selling points were 35.2% and 64.8%, respectively. Among total selling points of the Group's branded down apparel business, approximately 24.3% were located in the first- and second-tier cities (namely, Beijing, Shanghai, Guangzhou, Shenzhen and provincial capitals in China), and approximately 75.7% were located in the third- and lower-tier cities.

Retail network breakdown by down apparel brand

As at March 31, 2019	*Bosideng* Number of stores	Change	*Snow flying* Number of stores	Change	*Bengen* Number of stores	Change	Total Number of stores	Change
Specialty stores								
Operated by the Group	756	+204	24	+17	26	+20	806	+241
Operated by third party distributors	1,804	+61	183	+13	338	-65	2,325	+9
Subtotal	2,560	+265	207	+30	364	-45	3,131	+250
Concessionary retail outlets								
Operated by the Group	573	-73	211	+24	38	+13	822	-36
Operated by third party distributors	310	-86	61	-19	304	+53	675	-52
Subtotal	883	-159	272	+5	342	+66	1,497	-88
Total	**3,443**	**+106**	**479**	**+35**	**706**	**+21**	**4,628**	**+162**

Change: Compared with that as at March 31, 2018

Retail network of down apparel business by region

Regions	As at March 31, 2019	As at March 31, 2018	Change
Eastern China	1,662	1,599	+63
Central China	1,073	1,007	+66
Northern China	402	368	+34
Northeast China	461	479	-18
Northwest China	543	542	+1
Southwest China	487	471	+16
Total	4,628	4,466	+162

Areas

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

OEM Management Business:

During FY2018/19, revenue from the Group's OEM management business amounted to approximately RMB1,368.3 million, representing 13.2% of the Group's revenue and increased by 46.1% as compared to that for the corresponding period of last year. The percentage of revenue for the OEM management business from the top five customers accounted for approximately 86.2% of its total revenue.

In the past year, OEM management business segment continuously focused on core customers' needs and worked together with customers to develop some new product categories by capitalizing on the Group's technology strengths, which gradually increased the proportion of original design manufacturing ("ODM") management business during the upgrade process from purely OEM management business to ODM management business. This enhanced customers' loyalty and resulted in a significant increase in the actual total number of orders secured from existing customers as compared to that for the corresponding period of last year. Coupled with the production management experience of being the expert of down apparel, it has strengthened the quality control and management of orders and production process, thus enhancing the competitiveness of the Group's OEM management business.


Explore More

Ladieswear Business:

During FY2018/19, revenue from the Group's ladieswear business was approximately RMB1,201.8 million, which represents an increase of 4.2% as compared to that for the corresponding period of last year. The contribution from the ladieswear business to the Group's revenue was 11.6%. The major ladieswear brands of the Group have maintained the momentum of steady growth in sales. Revenues from the ladieswear brands were as follows:

Revenue from ladieswear business by brand

	For the year ended March 31,				
	2019		2018		
Brands	**RMB million**	**% of ladieswear revenue**	RMB million	% of ladieswear revenue	Change
JESSIE	**412.4**	**34.3%**	389.2	33.8%	6.0%
BUOU BUOU	**361.6**	**30.1%**	375.3	32.5%	-3.7%
KOREANO	**226.1**	**18.8%**	176.1	15.3%	28.4%
KLOVA	**193.5**	**16.1%**	205.6	17.8%	-5.9%
Other brands	**8.2**	**0.7%**	7.3	0.6%	12.3%
Total revenue from ladieswear business	**1,201.8**	**100.0%**	1,153.5	100.0%	4.2%

Revenue from ladieswear business by sale category

	For the year ended March 31,				
	2019		2018		
Sale categories	**RMB million**	**% of ladieswear business revenue**	RMB million	% of ladieswear business revenue	Change
Self-operated	**1,086.9**	**90.4%**	1,059.1	91.8%	2.6%
Wholesale	**114.9**	**9.6%**	94.4	8.2%	21.7%
Total revenue from ladieswear business	**1,201.8**	**100.0%**	1,153.5	100.0%	4.2%

Management Discussion and Analysis

FASHION LADIESWEAR – JESSIE

The year 2018 marks the 20th anniversary of *JESSIE*. This year, *JESSIE* strived to build franchised and self-operated benchmark stores. In key areas, more attention was paid to the bi-directional combination of products and marketing methods, so as to improve the overall performance through one point to the entire district. Riding on the topic of 20th anniversary of the brand, *JESSIE* attended the Milan Fashion Week in September 2018 with much attention received. Meanwhile, it also took this as an opportunity to conduct a series of thematic marketing activities, such as the 20th anniversary exhibition circuit of the brand, VIP Gratitude and feedback activities, Milan fashion show and autumn/winter new products show, etc.

JESSIE also attached great importance to comprehensive promotion of the latest generation of store image through upgrading of old stores and renovation of new store images, to enhance the brand image. Meanwhile, in the past year, *JESSIE* focused on the core categories such as trench coats, dresses, shirts, planned thematic marketing campaigns like Dress Festival and Coat Festival, and promoted terminal sales from the aspects of planning and promotion, ambience setting and sales incentive. A series of campaigns has promoted the transformation of terminal stores, stimulated the consumer market's cognition of brands and categories, and improved sales performance.

During FY2018/19, revenue from *JESSIE* increased by 6.0% to approximately RMB412.4 million, among which, revenue from self-operated business increased by 6.3% to approximately RMB333.2 million and revenue from wholesale business increased by 4.5% to RMB79.2 million, respectively.

FASHION LADIESWEAR – BUOU BUOU

In the past year, in terms of product innovation, *BUOU BUOU* had adjusted its new product sales model, transforming from destocking in the last financial year to launching new products. In terms of channel building, *BUOU BUOU* adopted the "addition and subtraction" business operation strategy, namely "addition" operation strategy applicable to online sales and "subtraction" operation strategy applicable to offline sales. In particular, in terms of offline operation, the existing channel optimization was initially completed by closing stores with sky-high rent, serious decline in customer flow, poor overall operation and difficulty in turning around after assessment.

During FY2018/19, revenue from *BUOU BUOU* was approximately RMB361.6 million, representing a decrease of 3.7% as compared to that for the corresponding period of last year.

FASHION LADIESWEAR – KOREANO and KLOVA

The overall upgrading of brand was the main development strategy of *KOREANO* and *KLOVA* over the past year. Specifically, these two brands have carried out certain improvement and optimization in the aspects of brand image, product quality, product structure and supply chain system. In terms of product construction, the quality of A+ products accounted for 83% of the total finished products, representing an increase of 13% as compared to that for the corresponding period of last year, and the time slot for product launch has changed from four seasons of the year to ten bands of the year, to make up for the lack of product categories in the period of slack sales. In terms of supply chain system construction, these two brands completed the comprehensive upgrade of enterprise resource planning (ERP) system, realizing the data docking of design technology and planning, completing the split mode for the production of first order and products replenishments, and speeding up the reorder cycle (the average spring and summer cycle sped up from 20 days to 12 days, while the average autumn and winter cycle sped up from 30 days to 18 days).

During FY2018/19, revenues from *KOREANO* and *KLOVA* were approximately RMB226.1 million and RMB193.5 million, respectively, representing an increase of 28.4% and a decrease of 5.9% as compared to those for the corresponding period of last year, respectively.

As at March 31, 2019, the total number of selling points of the Group's ladieswear business (net) increased by 6 to 528 compared to that of last year. Self-operated selling points (net) increased by 17 to 398; and selling points operated by third party distributors (net) decreased by 11 to 130. The self-operated and third-party distributor-operated selling points as a percentage of the overall selling points were 75.4% and 24.6%, respectively. Among total retail outlets of the Group's ladieswear business, approximately 57.8% were located in the first- and second-tier cities (namely, Beijing, Shanghai, Guangzhou, Shenzhen and provincial capitals in China), and approximately 42.2% were located in the third- and lower-tier cities.

Retail network by ladieswear brand

	JESSIE		*BUOU BUOU*		*KOREANO*		*KLOVA*		Others		Total	
As at March 31, 2019	Number of stores	Change	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	4	–	18	-1	–	–	–	–	–	–	22	-1
Operated by third party distributors	23	–	9	-4	–	–	–	–	–	–	32	-4
Subtotal	27	–	27	-5	–	–	–	–	–	–	54	-5
Concessionary retail outlets												
Operated by the Group	117	+8	117	-3	79	+22	62	-4	1	-5	376	+18
Operated by third party distributors	70	+3	28	-6	–	–	–	–	–	-4	98	-7
Subtotal	187	+11	145	-9	79	+22	62	-4	1	-9	474	+11
Total	**214**	**+11**	**172**	**-14**	**79**	**+22**	**62**	**-4**	**1**	**-9**	**528**	**+6**

Change: Compared with that as at March 31, 2018

Retail network of ladieswear business by region

Regions	As at March 31, 2019	As at March 31, 2018	Change
Eastern China	**72**	75	-3
Central China	**163**	153	+10
Northern China	**55**	56	-1
Northeast China	**62**	65	-3
Northwest China	**106**	109	-3
Southwest China	**70**	64	+6
Total	**528**	522	+6

Areas

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

Diversified apparels business

During FY2018/19, revenue from our diversified apparels business was approximately RMB155.9 million, representing a significant decrease of 86.3% as compared to that for the corresponding period of last year, leading to a decrease in the revenue from diversified apparels business as a percentage of our total revenue to 1.5%. The slowdown and decline in the diversified apparels business were highly consistent with the Group's overall strategy of focusing on its principal business and key brands while implementing de-diversification. By scaling down the diversified apparels business segment, the Group hopes that in the future, consumers can focus more on strengthening their loyalty of key brands and down apparel as well as functional apparel products and make them more prominent, so as to increase the awareness of these types of products in the market and attain premium for its brand. Revenue from the diversified apparels brands during the period was as follows:

Revenue from diversified apparels business by brand

	For the year ended March 31,				
	2019		2018		
Brands	**RMB million**	**% of diversified apparels business revenue**	RMB million	% of diversified apparels business revenue	Change
Menswear	**55.4**	**35.5%**	503.0	44.1%	-89.0%
Bosideng HOME	**50.0**	**32.1%**	561.4	49.3%	-91.1%
Other brands and others	**50.5**	**32.4%**	75.1	6.6%	-32.8%
Total revenue from diversified apparels business	**155.9**	**100.0%**	1,139.5	100.0%	-86.3%

Revenue from diversified apparels business by sale category

	For the year ended March 31,				
	2019		2018		
Sale categories	**RMB million**	**% of diversified apparels business revenue**	RMB million	% of diversified apparels business revenue	Change
Self-operated	**29.7**	**19.1%**	59.5	5.2%	-50.1%
Wholesale	**109.2**	**70.0%**	1,076.5	94.5%	-89.9%
Others*	**17.0**	**10.9%**	3.5	0.3%	385.7%
Total revenue from diversified apparels business	**155.9**	**100.0%**	1,139.5	100.0%	-86.3%

* Represents rental income


GB

Bosideng HOME and Bosideng MAN

During FY2018/19, *Bosideng HOME* and *Bosideng MAN* under the diversified apparels business segment downsized their business comprehensively. Under the Group's new positioning strategy for *Bosideng* brands, the non-down apparel products under *Bosideng* brands will undergo comprehensive restructuring, and the Group has also terminated the cooperation with existing distributors for *Bosideng MAN*. As such, this resulted in the significant reduction of these two business divisions during the past year.

School uniform business – Sameite

During FY2018/19, the school uniform business under the diversified apparels business segment remained in operation under *Sameite*. As to business development, both direct business mode (via direct participation of international schools and education groups) and agent and intermediary mode of business (via formulating preferential agency policies in a targeted manner) were adopted and received close attention. Through quality products and high quality after-sales services, it was recognized by the market and improved its brand reputation.

Customers of the school uniform business were loyal, and the Group also attached great importance to exploring and maintaining relationship with these loyal and key customers by tracking their return orders and repeated orders. The Group's unremitting efforts provided loyal customers as well as new customers with safe, healthy, comfortable and stylish up-to-standard school uniforms.

Children's wear business

During FY2018/19, the Group established a joint venture with its children's wear team and began to select the best global brands of children's wear for cooperation in online business, with a view of becoming a China's leading operator of internationally renowned brands of children's wear in the global market. Major brands which the Group currently has entered into contracts with include *Petit main* from Japan and *Happyland* from Korea. As to its business expansion, from trial operations of products and models through online channels, it will gradually develop into offline stores to continue improving consumer experience, thereby achieving comprehensive and integrated channel development to create a strategic alliance with international children's wear brands and build multi-brand offline stores for children in the future.

Retail network by diversified apparels by brand

As at March 31, 2019	*Bosideng HOME* Number of stores	Change	*Menswear* Number of stores	Change	Children's wear Number of stores	Change	Total Number of stores	Change
Specialty stores								
Operated by the Group	–	-21	32	-52	–	–	32	-73
Operated by third party distributors	–	-51	–	-88	–	–	–	-139
Subtotal	–	-72	32	-140	–	–	32	-212
Concessionary retail outlets								
Operated by the Group	–	-4	4	-43	6	+6	10	-41
Operated by third party distributors	–	-19	–	-63	–	–	–	-82
Subtotal	–	-23	4	-106	6	+6	10	-123
Total	**–**	**-95**	**36**	**-246**	**6**	**+6**	**42**	**-335**

Change: Compared with that as at March 31, 2018

Retail network of diversified apparels business by region

Regions	As at March 31, 2019	As at March 31, 2018	Change
Eastern China	**9**	153	-144
Central China	**–**	85	-85
Northern China	**1**	21	-20
Northeast China	**2**	15	-13
Northwest China	**2**	46	-44
Southwest China	**28**	57	-29
Total	**42**	377	-335

Areas

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

ONLINE SALES

During the last year, the Group pushed ahead the expansion of the online business and achieved outstanding results. Overall, the online e-commerce business on one hand plays a role in carrying out the brand strategy and promoting the upgrade of the store image, on the other hand, it optimizes its channel mix layout and strengthens the strategic cooperation among important platforms. In terms of the image building, e-commerce platforms highlight quality through visual images and demonstrate professionalism through detailed pages to improve customers' experience of online shopping. As to channel building, the Group achieved a breakthrough cooperation with Tmall and a strategic cooperation with Vipshops, which to a great extent stimulated the online sales traffic. For goods promotion, the Group adopted innovative methods such as channel distribution mechanism to enhance the online sell-out rate. As to marketing, the overall performance has been significantly increased through vigorously high-quality promotion on important festivals.

In FY2018/19, *Bosideng* brands participated in a series of activities including the Chinese brand of Tmall's overseas program, travel to Australia with Alibaba and live broadcast of *Bosideng's* down apparel catwalk at New York Fashion Week. Revenue from the online sales of branded down apparel business and ladieswear business of the Group were approximately RMB1,766.2 million and RMB67.5 million in FY2018/19, respectively, representing an increase of 55.6% and 11.8% as compared to that of the corresponding period of last year, accounting for 23.1% and 5.6% of the revenue from the branded down apparel business and ladieswear business, respectively. By sales categories, revenue from self-operation and wholesale through the Group's online sales amounted to approximately RMB1,442.6 million and RMB408.2 million, respectively.

Looking forward, the Group will explore the potential of online marketing, integrate related brand resources and platform resources and pay attention to the interaction and coordination between e-commerce marketing events and brand events. The Group will introduce more products which are exclusively offered online, gradually diversify the features of online goods and expand the product portfolio, while increase the sales proportion of the age group of 25-35. Meanwhile, the Group will set up an e-commerce visual image optimization team to optimize the e-commerce image and promulgate unified standards on e-commerce visual image and brand images to optimize the shopping path and shopping experience.

GROSS PROFIT

In FY2018/19, gross profit of the Group increased by 33.9% as compared to that of the corresponding period of last year, from approximately RMB4,119.1 million to approximately RMB5,513.5 million. Following the successful brand reshaping and product expansion, gross profit margin increased by 6.7 percentage points as compared to that of the corresponding period of last year, from 46.4% to 53.1%.

Gross profit margin of the branded down apparel business increased by 5.9 percentage points to 57.4%, mainly due to the Group's successful brand reshaping efforts, especially for *Bosideng* brands, during FY2018/19, and an increase in average price of high-quality products introduced to the market through brand promotion and products innovation during the process of positioning itself as "the expert and the best sellers of down apparel around the world". Meanwhile, as the Group has been the market player for years and maintained steady and good relationships with upstream raw material suppliers in the markets, the pressure of the industry's overall raw material costs had relatively low impact on the Group during the year. The gross profit margin of the OEM management business slightly declined to 16.3%, as a result of the pressure of workers' wages and other costs in China and a small portion of orders with lower gross profit that have shifted to Vietnam factories which the Group has cooperated with. The gross profit margin of ladieswear business slightly declined by 0.9 percentage points to 75.5% as compared to that of the corresponding period of last year, which was mainly due to the large-scale activities such as the 20th anniversary of *JESSIE* in which some products were sold at a discount. The gross profit margin of diversified apparels business decreased significantly to 6.9%, mainly because of the Group's adjustment of overall strategy in FY2018/19, which substantially reduced the diversified apparels business and have especially significantly reduced the gross profit of the menswear business. With the contraction of diversified apparels business, such business will have less impact on the Group's overall gross profit in the future.

OPERATING PROFIT

In FY2018/19, the Group's operating profit significantly increased by 48.4% to approximately RMB1,370.8 million. Operating profit margin was 13.2%, representing an increase of 2.8 percentage points as compared to 10.4% of the corresponding period of last year, which was mainly attributable to the contribution from the branded down apparel business, OEM management business and ladieswear business.

DISTRIBUTION EXPENSES

In FY2018/19, the Group's distribution expenses, mainly comprising advertising and promotion expenses, concessionaire fees to department stores, fixed operating lease charges and personnel expenses, amounted to approximately RMB3,439.9 million, representing an increase of 40.3% as compared to approximately RMB2,451.5 million of the corresponding period of last year. The Group's distribution expenses accounted for 33.1% of its total revenue, representing an increase of 5.5 percentage point as compared to 27.6% of the corresponding period of last year. The increase in distribution expenses was mainly due to the Group's efforts in brand building and channel optimization for the branded down apparel business during this financial year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses during FY2018/19, mainly comprising salary and welfare, depreciation and consultancy expenses, amounted to approximately RMB729.1 million, representing an increase of 15.7% as compared to approximately RMB630.2 million of last year. The proportion of administrative expenses to the Group's total revenue was 7.0%, remained basically flat as compared with last year. The slight increase in administrative expenses was mainly due to a moderate increase in consultancy expenses with the progress of the Group's strategic transformation during the period.

FINANCE INCOME

During FY2018/19, the Group's finance income increased by 55.2% to approximately RMB186.5 million from approximately RMB120.2 million. The increase was mainly due to the increase of its bank interest income and financial income, as well as the decreased exchange loss during FY2018/19, as compared to the corresponding period of last year given to the influence of foreign currency exchange rate fluctuation.

FINANCE COST

During FY2018/19, the Group's finance cost decreased to approximately RMB162.8 million, primarily due to the loss from the investment in the industrial funds of the Group during the period. In order to capture investment opportunities arising from the fashion and apparel industry, we applied our unutilised cash asset to investments with high liquidity and potential, so as to enhance our investment income for short or medium term. The Group's investment in industrial fund for last financial year amounted to USD98 million. During the year, due to the Fed interest rate hike, Sino-US trade disputes and heightened risks in emerging markets, the other financial assets held by the industrial funds also incurred certain losses. The Group has, according to the actual situation, redeemed such other financial assets in stages. As of March 31, 2019, parts of such investment amounted to USD35 million has been redeemed.

TAXATION

During FY2018/19, income tax expenses increased from approximately RMB248.7 million to approximately RMB388.9 million. The effective tax rate was approximately 27.9%, higher than the standard PRC income tax rate of 25%, which was mainly attributable to the combined effect of non-deductible expenses and tax losses of certain subsidiaries of the Group not recognized as deferred tax assets and tax preferential rate enjoyed by the subsidiaries and withholding tax of dividends appropriated from China subsidiaries to overseas companies.

DIVIDENDS

The Board recommended the payment of an annual dividend of HKD6.0 cents (equivalent to approximately RMB5.3 cents) per ordinary share for the year ended March 31, 2019. The proposed dividend is subject to approval by the shareholders of the Company at the annual general meeting (the "AGM") to be held on or around August 26, 2019. Upon shareholders' approval, the proposed dividend will be paid on or around September 20, 2019 to shareholders whose names appear on the register of members of the Company on September 5, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended March 31, 2019, the Group's net cash generated from operating activities amounted to approximately RMB1,509.4 million (March 31, 2018: approximately RMB1,032.6 million). Cash and cash equivalents as of March 31, 2019 amounted to approximately RMB1,754.3 million, as compared to approximately RMB1,794.1 million as at March 31, 2018.

As at March 31, 2019, the cash and cash equivalents were denominated in:

	RMB'000
Renminbi	1,279,825
US dollar	407,180
Pound sterling	6,614
Hong Kong dollar	54,056
Japanese yen	5,127
European dollar	1,465
Total	1,754,267

In order to maximize returns on the Group's available cash reserves, the Group has invested in other financial assets, including capital protected short-term investments with banks in China and other debt and equity securities. The expected but unguaranteed returns of the short-term investments with banks ranged from 2.25% to 4.6% per annum. The other debt and equity securities referred to trading stocks and bonds held by Bosideng Industry Investment Fund S.P. and Shuo Ming De Investment Co., Ltd.

As at March 31, 2019, approximately 75.0% of the other debt and equity securities were bonds held by Bosideng Industry Investment Fund S.P., which comprise over 70 transactions held in US dollars and European dollars, accounting for approximately 95.7% and 4.3% of the amount of bonds, respectively, and approximately 22.2% of the other debt and equity securities were the non-public shares of Jinhong Fashion Group Co., Limited (formerly known as "VGRASS Fashion Co., LTD.") (a company listed on Shanghai Stock Exchange; SSE, Stock Code: 603518) ("Jinhong Group"), held by Shuo Ming De Investment Co., Ltd.

As at March 31, 2019, the changes in fair value of the other debt and equity securities of approximately RMB82.7 million were recognised as losses in the profit or loss and approximately RMB29.2 million (before tax) as losses in the other comprehensive income. The details are set out as follows:

	As at March 31, 2019					
Nature of Investment	Investment cost RMB million	Fair value/ carrying amount RMB million	Fair value/ carrying amount as a percentage of net assets of the Group	Realized gains/(losses) at fair value through profit or loss RMB million	Unrealized Gains/(losses) at fair value through profit or loss RMB million	Gains/(losses) at fair value through other comprehensive income RMB million
Jinhong Group	244.2	207.5	2.1%	-	-	(36.7)
Bonds (Note 1)	692.8	700.3	6.9%	(69.1)	-	7.5
Stocks (Note 2)	25.6	26.4	0.3%	(14.4)	0.8	-
	962.6	934.2	9.3%	(83.5)	0.8	(29.2)

Notes:

1. During the year ended March 31, 2019, the interest income received was approximately RMB40.6 million.

2. During the year ended March 31, 2019, the dividends received were approximately RMB1.1 million.

As at March 31, 2019, the Group had bank borrowings amounting to approximately RMB1,627.7 million (March 31, 2018: approximately RMB2,338.4 million) and the gearing ratio (i.e. total debt/total equity) of the Group was 16.1% (March 31, 2018: 23.9%).

As at March 31, 2019, the distribution of borrowings by currency unit and types of interest rate adopted were as follows:

	US dollars RMB million	HK dollars RMB million	European dollars RMB million	Japanese yen RMB million	Total RMB million
Floating interest rate	357.1	777.5	17.2	276.9	1,428.7
Fixed interest rate	–	199.0	–	–	199.0
Total	357.1	976.5	17.2	276.9	1,627.7

The Group anticipates that it will be able to arrange with its lenders to obtain new loans to replace the existing borrowings as they will fall due in the foreseeable future, and if it is not available, the Group has sufficient cash and assets held for sale to meet its borrowing repayment requirements.

SIGNIFICANT INVESTMENTS HELD, SIGNIFICANT ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS ON CAPITAL ASSET ACQUISITION

During the year, the Group had no significant investments held or significant acquisitions and disposals of subsidiaries. As at March 31, 2019, the Group had no future plan for significant investments or capital asset acquisitions or acquisitions or disposals of subsidiaries.

CONTINGENT LIABILITIES

As at March 31, 2019, the Group had no material contingent liabilities (March 31, 2018: nil).

CAPITAL COMMITMENTS

As at March 31, 2019, the Group had outstanding capital commitments in respect of plant, property and equipment amounting to approximately RMB20.0 million (March 31, 2018: approximately RMB11.8 million).

OPERATING LEASE COMMITMENT

As at March 31, 2019, the Group had irrevocable operating lease commitments amounting to approximately RMB203.7 million (March 31, 2018: approximately RMB147.1 million).

PLEDGE OF ASSETS

As at March 31, 2019, bank deposits amounting to approximately RMB679.3 million had been pledged to banks for the purpose of standby letter of credit, bank borrowings and bills payable and letter of credit financing (March 31, 2018: approximately RMB904.6 million).

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at its head office. The Group adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was raised by cash generated from operating activities and bank borrowings. The Group's treasury policies mainly include managing its exposure to fluctuations in interest rates and foreign currency exchange rates.

FOREIGN CURRENCY EXPOSURE

The business operations of the Group were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated in Renminbi. Some of the Group's cash and bank deposits were denominated in Hong Kong Dollars or US Dollars. The Company and some of its overseas subsidiaries selected US Dollars as their functional currency. Any significant exchange rate fluctuation of Hong Kong Dollars, US Dollars, Japanese yen and Pound sterling or against each entity's respective functional currency may have a material impact on the Group.

In face of currency market instability, the Group will make use of forward contracts and foreign exchange swaps to mitigate the exchange rate risk as and when appropriate.

HUMAN RESOURCES

As of March 31, 2019, the Group had 6,409 full-time employees (March 31, 2018: 5,340 full-time employees), representing a year-on-year increase of 1,069 employees. Staff costs for the year ended March 31, 2019 (including Directors' remuneration in the form of salaries, other allowances and equity settled share-based transaction expenses) were approximately RMB1,193.4 million (March 31, 2018: approximately RMB866.2 million). During the FY2018/19, the Group had strengthened the marketing team and expanded staff of terminal stores of the branded down apparel to increase the number of its quality staff.

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 staff dormitories with hotel-style management service to those non-local university graduates, professional technicians and management staff who did not have a living place in Changshu once they were employed by the Group.

FUTURE OUTLOOK

In 2019, total retail sales of consumer goods in China amounted to RMB38 trillion, representing an increase of 9.0% as compared to that in 2018 and a 6.9% of real growth (excluding inflation). Over the past six years, the compound annual growth rate of disposable household income per capita has reached 8.2%. The consumer market in China has grown rapidly in recent years with growing consumer spending on mid- to high-end products. As for the current and future consumption environment in China, on the one hand, due to the obvious consumption upgrade, consumers' demand for discretionary consumer products has increased as evident by the individualized demands. On the other hand, the branded goods have become easier to sell and people with wealth possessing a higher pursuit for consumption. Most consumers in China bid farewell to the era of bulk purchase of general commodities, but initiated a new round of consumption upgrade defined as "quality upgrade of goods and services". The main consumption demands have now focused on excellence, branding, cost-effectiveness and emotions.

In response to the changes of consumption logic and the market environment, the Group completed the transformation from "self-cognition" to "value cognition" of consumers by the strategy of brand reshaping and focusing on principal business key brands. Through keeping abreast of the future consumers' consumption preference and market growth trends and responding to the concept of "pursuing for a better life" in the new era, the Group will adjust its strategy over time and forge ahead under favorable trend or adversity. By building its own core advantages and differentiated competitive edges, the Group will be capable of gaining market recognition and securing consumers.

Down Apparel Business: Looking ahead, while upholding the principle of "focusing on its principal business while implementing de-diversification" and centering on the "function", the Group will strengthen its core and principal businesses. While adhering to the original target of being "the expert and the best sellers of down apparel around the world", the Group will expand the principal businesses and endeavor to become a "mid- to high-end functional apparel group".

As to brand building, the Group will further increase its efforts on brand public relations, advertising and marketing based on the overall plan of its competing strategies of the *Bosideng* brands. As to product innovation, the Group will closely keep track of consumers' market demands and conduct in-depth consumer market research to optimize products series that are currently well-received in the market and to launch new and innovative products which are competitive in the market. As to channel building, the Group will continue to optimize the mix of our sales channels, pay attention to the quality mainstream business to speed up the channel upgrade. On one hand, the Group will accelerate the image upgrade of the existing stores while closing down underperforming selling points, while on the other hand, it will expand the scale of development of the new channels. As to terminal construction, the Group will pay closer attention to staff training and provide guidance on standard terms for sales staff for allowing them to have full understanding to the core functions of the products so as to increase the sales of outlets through enhancing consumer experience.

OEM Management Business: Looking forward, the Group will continue to strengthen the strategic cooperation with core customers and enhance the service capabilities, while keeping orders increasing. The Group will also keep on promoting its responsiveness to the orders of core consumers to maintain the long-term and stable strategic working relationship, and proactively respond to market uncertainties, as well as maintain and strengthen customer relationships and cooperation through accelerating the production layout in Southeast Asia markets, so as to secure steady and fast growth for the OEM management business.

Fashionable Ladieswear Business: After the strategic positioning over the past few years, the ladieswear business platform has taken shape. Looking ahead, the Group will remain concentrated on integrating the resources among its ladieswear brands to further improve synergy among brands. The Group will endeavor to further improve the operation and management efficiencies of its ladieswear business while boosting the organic growth of the ladieswear business through enhancing the productivity, sales channels and brand promotion of brands.

CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices. The corporate governance principles of the Company emphasize accountability and transparency and are adopted in the best interests of the Company and its shareholders. The board (the "Board") of directors (the "Directors") of the Company reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and to fulfil its commitment to excellence in corporate governance.

The Group has complied with the applicable code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended March 31, 2019, except for code provision A.2.1 of the Code, the details of which are disclosed below.


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BOARD OF DIRECTORS

The Board is charged with providing effective and responsible leadership for the Company. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of the Group's overall objectives and strategies, internal control and risk management systems, monitoring its operating and financial performance, and evaluating the performance of the senior management. The Directors, individually and collectively, have to make decisions objectively in the best interests of the Company and its shareholders.

As at July 17, 2019 (being the latest practicable date prior to the printing of this report), the Board consisted of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. The executive Directors are responsible for implementing business strategies and managing the business of the Group in accordance with all applicable rules and regulations, including but not limited to, the Listing Rules. All Directors (including the independent non-executive Directors) have been consulted on all major and material matters of the Group. The Company maintains appropriate Directors' and officers' liabilities insurance.

The role of the Board includes convening shareholders' meetings and reporting their work to shareholders in shareholders' meetings, implementing the resolutions of the shareholders' meetings, determining the Group's business plans and investment plans, preparing the Group's annual budget and final accounts, putting forward proposals for dividend and bonus distributions and for the increase or reduction of registered or issued share capital, formulating proposals for share repurchase in accordance with any repurchase mandate granted by the shareholders' meeting as well as exercising other powers, functions and duties as conferred by the articles of association of the Company. The Board is also responsible for performing the corporate governance duties set out in code provision D.3.1 of the Code. The Directors are continually embraced with the most up-to-date regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities through regular Board meetings and acting in good faith and with due diligence and care. During the year under review, the following was discussed during the Board meetings: (i) developing and reviewing the Group's policies and practices on corporate governance and make recommendations; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Group; (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to Directors and employees; and (v) reviewing the Group's compliance with the Code and disclosure in this report.

During the year ended March 31, 2019, the Board convened a total of five Board meetings based on the needs of the operation and business development of the Group. The composition of the Board and their respective attendance at the Board meetings and Board committee meetings convened during the year ended March 31, 2019, as well as at the annual general meeting held on August 27, 2018, are as follows:

	No. of meetings attended/held				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meetings	Annual General Meeting on August 27, 2018
Executive Directors					
Mr. Gao Dekang *(Chairman of the Board and Chief Executive Officer)*	5/5	N/A	1/1	N/A	1/1
Ms. Mei Dong	5/5	N/A	N/A	N/A	0/1
Ms. Huang Qiaolian	5/5	N/A	N/A	N/A	0/1
Mr. Mak Yun Kuen *(Resigned with effect from May 1, 2019)*	5/5	N/A	N/A	N/A	1/1
Mr. Rui Jinsong	5/5	N/A	N/A	N/A	0/1
Mr. Gao Xiaodong	4/5*	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Dong Binggen	4/5*	2/2	0/1*	N/A	0/1
Mr. Wang Yao	4/5*	2/2	1/1	N/A	0/1
Dr. Ngai Wai Fung	5/5	2/2	N/A	N/A	1/1
Mr. Lian Jie *(Retired with effect from August 27, 2018)*	0/2*	1/1	N/A	N/A	0/1

* Directors unable to attend Board meetings had arranged their alternate Directors to attend Board meetings, but the attendance of their alternate Directors was excluded in their attendance records.

Throughout the year ended March 31, 2019, the Board had met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having at least three independent non-executive Directors (representing at least one-third of the Board) with one of them (namely, Dr. Ngai Wai Fung) possessing the appropriate accounting professional qualifications.

The independent non-executive Directors bring a variety of experience and expertise to the Company. Each of the independent non-executive Directors has confirmed his independence in writing pursuant to Rule 3.13 of the Listing Rules. The Directors are of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

The appointment of each of the Directors may be terminated by either the Company or the Director by giving a three-month written notice and the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Minutes of the Board meetings are kept by the company secretary and are available for inspection by the Directors and the auditor of the Company.

Save as disclosed in the section headed "Directors and Senior Management" in this report, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including the independent non-executive Directors) and the other members of the Board or the senior management and between the Chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO").

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors receive comprehensive, formal and tailored induction on appointment, so as to ensure their understanding of the business and operations of the Group and Directors' responsibilities and obligations under the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and other relevant regulatory requirements.

All Directors are continually updated on developments in the relevant statutory and regulatory regimes, and the latest business and market changes to facilitate the discharge of their responsibilities and obligations under the Listing Rules and the relevant statutory requirements. Briefings and professional development for Directors will be arranged when necessary.

Pursuant to the requirements of the Code, all Directors should provide their training records to the Company. According to the training records provided by the Directors, the trainings attended by them during the year under review is summarized as follows:

Directors	Corporate Governance, Regulatory Development and Trainings on other relevant topics
Executive Directors	
Mr. Gao Dekang	√
Ms. Mei Dong	√
Ms. Huang Qiaolian	√
Mr. Mak Yun Kuen *(Resigned with effect from May 1, 2019)*	√
Mr. Rui Jinsong	√
Mr. Gao Xiaodong	√
Independent non-executive Directors	
Mr. Dong Binggen	√
Mr. Wang Yao	√
Dr. Ngai Wai Fung	√
Mr. Lian Jie *(Retired with effect from August 27, 2018)*	√

THE ROLES OF THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Gao Dekang is the founder of the Group, the Chairman and the CEO of the Company for the year ended March 31, 2019. The Board believes that it is necessary to vest the roles of the Chairman and the CEO in the same person due to Mr. Gao Dekang's unique role, his experience and well-established 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 decision-making of the Company. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are 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.

The Board will 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they had complied with the required standards set out in the Model Code throughout the year ended March 31, 2019 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established by the Company on September 15, 2007, whose primary duties are to review and supervise the financial reporting process and internal control procedures of the Group, nominate and monitor the external auditor, and perform other duties and responsibilities as assigned by the Board. Please refer to the terms of reference published on the websites of the Company and the Stock Exchange for the principal roles and functions of the Audit Committee. The audited consolidated financial statements of the Group for the year ended March 31, 2019 have been reviewed by the Audit Committee and audited by KPMG, the Company's external auditor. As at July 17, 2019 (being the latest practicable date prior to the printing of this report), the Audit Committee comprised three independent non-executive Directors, namely, Dr. Ngai Wai Fung (Chairman), Mr. Dong Binggen and Mr. Wang Yao.

Major works performed by the Audit Committee during the year are summarized as follows:

- review of and recommendation for the Board's approval of the 2017/18 annual report, 2018/19 interim financial information and annual financial statements with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;

- review of the continuing connected transactions of the Group;

- review of the accounting policies adopted by the Group and matters related to common accounting practices;

- review of the nature and scope of audit;

- discussion with the external auditor and the management on possible accounting risks;

- assisting the Board with the evaluation of the efficiency of the financial reporting procedures, and systems of internal control and risk management;

- approval of the audit fees and terms of engagement of the external auditor; and
- review of the external auditor's qualifications, independence and performance, and making recommendation for the Board's re-appointment of the external auditor.

During the meetings held in the year ended March 31, 2019, the Audit Committee had considered the 2018/19 interim and 2017/18 annual results of the Group as well as the report prepared by the external auditor relating to accounting matters and other major findings identified during the course of the interim review and annual audit.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established by the Company on September 15, 2007, whose primary duties are to determine the remuneration packages of individual executive Directors and senior management based on the Company's operating results, individual performance and comparable market statistics. Please refer to the terms of reference of the Remuneration Committee published on the websites of the Stock Exchange and the Company for the principal roles and functions of the Remuneration Committee.

As at July 17, 2019 (being the latest practicable date prior to the printing of this report), the Remuneration Committee consisted of three members, comprising one executive Director and two independent non-executive Directors, namely Mr. Wang Yao (Chairman), Mr. Gao Dekang and Mr. Dong Binggen.

During the year under review, the Remuneration Committee held one meeting and reviewed the Group's policy on remuneration of all the Directors and senior management. During the year, the Remuneration Committee had determined the remuneration packages of all executive Directors and senior management and made recommendation to the Board of the remuneration of the independent non-executive Directors (i.e. the model disclosed in code provision B.1.2(c) of the Code was adopted).

Pursuant to code provision B.1.5 of the Code, the annual remuneration of the members of the senior management by band for the year ended March 31, 2019 is set out below:

Remuneration band	Number of persons
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	2
RMB3,000,001 to RMB3,500,000	1
RMB3,500,001 to RMB4,000,000	0
RMB4,000,001 to RMB4,500,000	2

Note: The members of the senior management disclosed above refer to those employees other than Directors.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established by the Company on September 15, 2007, whose primary functions are to review the structure, size, diversity and composition of the Board, identify individuals suitably qualified to become Board members with reference to the candidates' experience and qualifications and the Company's corporate strategy and diversity policy, assess the independence of independent non-executive Directors and make recommendations to the Board regarding candidates to fill vacancies on the Board. The Board is ultimately responsible for the selection and appointment of new Directors. Please refer to the terms of reference of the Nomination Committee published on the websites of the Company and the Stock Exchange for the principal roles and functions of the Nomination Committee.

As at July 17, 2019 (being the latest practicable date prior to the printing of this report), the Nomination Committee consisted of three members, comprising one executive Director and two independent non-executive Directors, namely Mr. Gao Dekang (Chairman), Mr. Dong Binggen and Mr. Wang Yao.

The Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversity of members of the Board, and embedded within the Board Diversity Policy is the nomination policy for the Directors. The Company recognises and embraces the benefits of diversity of Board members and strives to have high transparency in the selection process of the Board. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives that are appropriate to the requirements of the Company's business. All Board appointments are made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. During the year under review, no meeting was held by the Nomination Committee as the composition of the Board was relatively stable and satisfactory, and no new members had been selected or recommended for directorship.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company, and each of the independent non-executive Directors has entered into an appointment letter with the Company, for a fixed term of three years, renewable automatically for successive terms of one year, until terminated by either party by giving a three-month written notice. Each Director is subject to re-election by the Company at the annual general meeting upon retirement. The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has an overall responsibility for maintaining sound and effective internal control and risk management systems of the Group. The Board has conducted reviews of its systems of internal control and risk management periodically to ensure the effectiveness and adequacy of the systems. The Board convened meetings with the Audit Committee periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing systems of internal control and risk management are effective and adequate to the Group.

Further, stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest. All Directors and those employees who could have access to, or monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit. The Board is also vested with the responsibility to disseminate to the shareholders and the public any inside information in the form of announcements, in accordance with the Listing Rules.

MANAGEMENT FUNCTION

The articles of association of the Company set out matters which are specifically reserved to the Board for its decision. In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the senior management under the supervision of the Board. The management team meets regularly to review and discuss with executive Directors on daily operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

DIRECTORS AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to oversee the preparation of the financial statements for each financial period to ensure that they give a true and fair view of the state of affairs, results and cash flow of the Group.

In preparing the financial statements for the year ended March 31, 2019, the Directors have selected suitable accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, made prudent and reasonable judgments and estimates, and prepared the financial statements on a going concern basis. The Directors also warrant that the Group's financial statements will be published in a timely manner.

The statement of the auditor of the Group about their reporting responsibilities on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on page 82 to page 88 of this report.

AUDITOR'S REMUNERATION

During the year under review, the fees charged by the Company's external auditor, KPMG, for statutory audit and non-audit services are set out below:

	RMB'000
Statutory audit services (including interim financial report review)	5,300
Non-audit services (including advisory for tax and compliance services)	321
	5,621

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which are subject to the approval by the Board and at the annual general meetings of the Company by its shareholders.

Certain factors that the Audit Committee will take into account when assessing the external auditor include the audit performance, quality and objectivity and independence of the auditor.

COMPANY SECRETARY

During the year ended March 31, 2019, Mr. Mak Yun Kuen was the company secretary of the Company (the "Company Secretary") and he had over 15 hours of professional training during the year. Mr. Mak resigned with effect from May 1, 2019.

Ms. Liang Shuang was appointed as the Company Secretary on May 1, 2019. The biography of Ms. Liang is set out in the section headed "Directors and Senior Management" of this report.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") setting out the appropriate procedure on recommending and declaring the dividend payment of the Company. The Dividend Policy aims to allow the shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities. The dividend distribution decision of the Company will depend on, among others, the financial results, the cashflow, the current and future operations and the liquidity and capital requirements. In addition to the declaration of dividend based on the foregoing, the Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

In light of the good faith principle, the Company strictly complies with and implements the provisions of the Listing Rules to disclose information on a true, accurate, complete and timely basis and all other information that might have a significant impact on the decisions of shareholders and other relevant parties in an active and timely manner. Also, the Company makes an effort in ensuring that all shareholders have equal access to such information. As such, the Company has duly performed its statutory obligations in respect of information disclosure.

The management believes that effective communication with the investment community is essential. Since the listing of the Company in October 2007, the executive Directors (including the CEO) held regular briefings and results presentations, attended investors' forums and responded to investors' call-in enquiries, arranged store visits and participated in roadshows to communicate with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the latest Company's business and development as well as operating strategies and prospects. In delivering information to investors, the Company also listens to their advice and collects feedback from them, in the interests of developing an interactive and mutually beneficial relationship with the Company's investors.

Shareholders may send written enquiries, either by post, by facsimile or by email, addressing to the Company's principal place of business in Hong Kong at the following address or facsimile number or email address:

Address: Unit 5709, 57/F., The Center,
99 Queen's Road Central,
Central, Hong Kong

Email: bosideng_ir@bosideng.com
Tel: (852) 2866 6918
Fax: (852) 2866 6930

SHAREHOLDERS' RIGHTS

Shareholders of the Company may request to convene extraordinary general meetings. Pursuant to Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to hold the meeting shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company, either by post, by facsimile or by email (the contact details are set out in the section headed "Communications with Shareholders and Investor Relations" above), specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

During the year under review, no amendment was made by the Company to the memorandum and articles of association of the Company.

EXECUTIVE DIRECTORS

Mr. Gao Dekang, aged 67, is the Chairman of the Board and the CEO and a director of certain subsidiaries of the Group. He is a representative of the 10th to 12th National Congress and a National Model Worker (全國勞動模範). He is the founder of the Group and was appointed as an executive Director in September 2007. He is responsible for the overall strategic development of the Group and has over 40 years of experience in the apparel industry. He is a senior economist and a senior engineer. He received an EMBA degree (majoring in Business Administration) from Phoenix International University in New Zealand in 2002, and obtained a Master's degree in business management from Victoria University in Switzerland in 2012.

Mr. Gao is holding the following public offices:

Year	Public Offices
2013	Vice President of the 6th Council of China National Garment Association
2015	Director of the 6th Down Apparel and Related Products Committee of China National Garment Association
2016	President of Textile & Garment Chamber of Commerce, All-China Federation of Industry & Commerce
2016	The 4th Invited Vice Chairman of China National Textile and Apparel Council
2016	Invited Vice President of the 4th Council of China National Light Industry Council
2017	Member of the Executive Committee of China Federation of Industry and Commerce
2018	Honorary Chairman of the 7th Council of China National Garment Association
2019	Vice President of China Commerce Association for General Merchandise

Mr. Gao has been widely recognized throughout the years:

Year	Award
1993	Special Contributor to the Development of China's Apparel Industry
1997	Special Contribution Award by Chinese Young Volunteers Association
1998	Outstanding factory manager (manager and chairman) of China
2000	Merit in the Apparel Industry in the PRC
2001	Special Contribution Award for the Mother River Protection Operation
2005	Palmery Contribution and Exploit Award in China Feather and Down Garments Industry
2005	Down apparel expert in China
2005	Outstanding Persons of the Textile Brand Culture Development of the PRC
2006	National Title of "Outstanding Staff Caring Private Entrepreneur"
2006	2006 Brand China Person of the Year
2006	2006 CCTV China Economic Person of the Year
2007	Top ten business leaders in China
2008	Global Leader of Chinese Entrepreneurs
2009	Excellent Contributor of Chinese Socialism
2009	Outstanding Administrator of the 30th Anniversary for Total Quality Control in the PRC
2011	Leader of Textile and Apparel Industry in China
2011	2011 Forbes 25 Influential Chinese in Global Fashion
2012	The 7th China Charity Award
2012	China's Outstanding Quality People
2013	Special Contributor to the Textile Enterprises Culture Construction in the PRC
2015	2014-2015 Outstanding Persons in the Enterprises Culture Construction in the PRC
2015	Most Respected Entrepreneur of China in 2015 by Hurun Report
2017	Person of the Year in Innovation for Textile Industry in the PRC
2017	CCTV's Charitable Person of the Year
2018	The Pioneer of China Feather and Down industry
2018	Outstanding Persons in Textile Industry of 40 years of Reform and Opening up
2018	Craftsman of the Nation in Light Industry

Mr. Gao is the spouse of Ms. Mei Dong (an executive Director and the Executive President) and father of Mr. Gao Xiaodong (an executive Director).

Ms. Mei Dong, aged 51, is an executive Director and the Executive President of the Company. Ms. Mei was appointed as an executive Director in July 2006 and is responsible for the overall operational management of the Group. Ms. Mei is a director and/or legal representative of certain subsidiaries of the Group. She has over 20 years' experience in the down apparel industry. Ms. Mei obtained various awards and honours such as the recognition of "Successful Female Entrepreneur" (巾幗建功) in China and the National Model Worker (全國勞動模範). Ms. Mei joined Bosideng Corporation Limited ("Bosideng Corporation") in June 1994, and remained with the Group after the reorganisation of the businesses of the Group prior to its listing. She received an EMBA degree (majoring in Business Administration) from Phoenix International University in New Zealand in 2002. She is the spouse of Mr. Gao Dekang (the Chairman, the CEO, a Controlling Shareholder and an executive Director) and the mother of Mr. Gao Xiaodong (an executive Director).

Ms. Huang Qiaolian, aged 54, is an executive Director, the Vice President of the Company and the General Manager of Shanghai Bosideng Fashion Design and Development Centre Co., Ltd. (a subsidiary of the Company). Ms. Huang was appointed as an executive Director in June 2007 and is responsible for conducting the monographic study on the fashion trend of down apparel, unveiling the fashion trend and designing apparel products. Her works have been displayed in numerous exhibitions in countries such as Korea, Canada and Russia. She received various honours such as contemporary renowned designer, one of the top ten fashion designers in China and the contributing designer in publishing the research on the garment trend in China. She has over 20 years experience in the fashion industry. She serves various positions in different associations and organizations, such as the Council Member of the Fashion Art Committee of China Fashion Association (中國服裝設計師協會時裝藝術委員會) and the special researcher for the fashion trend of China Fashion. Ms. Huang joined Bosideng Corporation in March 1997 and remained with the Group after the reorganization of the businesses of the Group prior to its listing. She graduated from the School of Fashion Design in Jiangsu (江蘇服裝設計學校) in 1987 and further studied in Donghua University majoring in High Fashion in 1994 and the Public School of High Fashion in Paris, France (法國巴黎高級時裝公學院) in 1999. She studied in East China Normal University in Shanghai majoring in Business Administration in 2004.

Mr. Rui Jinsong, aged 47, is an executive Director and the Senior Vice President of the Company. He is also a director and general manager of Bosideng Down Wear Limited (a subsidiary of the Company) and a director of certain subsidiaries of the Group. He was appointed as an executive Director with effect from May 2013. Mr. Rui is fully responsible for the overall management of the operational management business of the Group's core Bosideng brands. Mr. Rui graduated from Wuxi Light Industry College majoring in Textile Engineering in 1994. He joined Bosideng Corporation in May 2004 and remained with the Group after the reorganisation of the businesses of the Group prior to its listing, from which he acquired practical experience in brand positioning strategy, core competitiveness building and brand operating management.

Mr. Gao Xiaodong, aged 43, is the Vice President of the Company and was appointed as an executive Director in March 2017. Mr. Gao is fully in charge of the Group's diversified businesses. He is a qualified senior economist and has obtained a master's degree in business administration from Centenary College in 2009. He joined Bosideng Corporation in 2002 and joined the Group in 2013, from which he accumulated tremendous experience in apparel, highway, real estate and hotel segments. Mr. Gao is the son of Mr. Gao Dekang (the Chairman, the CEO, an executive Director and a Controlling Shareholder) and Ms. Mei Dong (an executive Director and the Executive President).

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Dong Binggen, aged 69, a senior engineer, was appointed as an independent non-executive Director in September 2007. He graduated from Eastern China Textile Institute (currently known as Donghua University) in 1977. Since February 1997, he has worked with Hualian Development Group Co., Ltd. as the Chairman and President, Secretary of the Communist Party Committee. Mr. Dong was the Chairman of a PRC company listed on the Shenzhen Stock Exchange ("SZSE"), namely China Union Holdings Ltd. (SZSE, Stock Code: 000036) from June 2004 to June 2019. He had also been the Chairman of the Shenzhen Textile Industry Association and the President of the Shenzhen Textile Engineering Association. He is currently the member of the Standing Committee and the Invited Vice Chairman of China Textile Industry Association.

Mr. Wang Yao, aged 60, was appointed as an independent non-executive Director in September 2007. In the past, he had served as the director of the China National Commercial Information Center and Vice President of the China General Chamber of Commerce. He received a Ph.D. in Engineering from Harbin Institute of Technology in 1989. He also obtained the qualification as a professor-grade senior engineer.

Dr. Ngai Wai Fung, aged 57, was appointed as an independent non-executive Director in September 2007. He is currently the director and group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as "SW Corporate Services Group Limited"), a specialty company secretarial, compliance and investor relations, specialist consultancy, corporate governance and risk management services provider to listed and unlisted companies. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control, regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. He had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. Dr. Ngai is a member of the General Committee of the Chamber of Hong Kong Listed Companies, and was also appointed by Ministry of Finance of the People's Republic of China as Finance Expert Consultant in 2016. He had been the President of the Hong Kong Institute of Chartered Secretaries (2014-2015) and a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013-2018), and a member of Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013-2018). He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Dr. Ngai obtained a Doctoral degree in Finance at Shanghai University of Finance and Economics in 2011 and received a Master's degree in Corporate Finance from Hong Kong Polytechnic University in 2002 and a Master's degree in Business Administration from Andrews University of Michigan in 1992 and a Bachelor's degree in Law at University of Wolverhampton in 1994.

Dr. Ngai is currently an independent non-executive director of three dual-listing companies whose shares are listed on the Stock Exchange (SEHK) and Shanghai Stock Exchange ("SSE"), namely BBMG Corporation (SEHK, Stock Code: 02009; SSE, Stock Code: 601992), China Communications Construction Company Limited (SEHK, Stock Code: 01800; SSE, Stock Code: 601800) and Yangtze Optical Fibre and Cable Joint Stock Limited Company (SEHK, Stock Code: 06869; SSE, Stock Code: 601869). In addition, Dr. Ngai is the independent non-executive director of the following companies, namely BaWang International (Group) Holding Limited (SEHK, Stock Code: 01338), Health and Happiness (H&H) International Holdings Limited (SEHK, Stock Code: 01112), Beijing Capital Grand Limited (SEHK, Stock Code: 01329), Powerlong Real Estate Holdings Limited (SEHK, Stock Code: 01238), SITC International Holdings Company Limited (SEHK, Stock Code: 01308) and TravelSky Technology Limited (SEHK, Stock Code: 00696). Dr. Ngai is also an independent director of LDK Solar Co., Ltd. (OTC Pink Limited Information, Stock Code: LDKYQ) and SPI Energy Co., Ltd. (listed on the Nasdaq Stock Market, Stock Code: SPI). He was the independent non-executive director of China Coal Energy Company Limited (SEHK, Stock Code: 01898, SSE, Stock Code: 601898) from December 2010 to June 2017, the independent non-executive director of China Railway Group Limited (SEHK, Stock Code: 00390, SSE, Stock Code: 601390) from June 2014 to June 2017 and the independent non-executive director of HKBridge Financial Holdings Limited (formerly known as "China HKBridge Holdings Limited") (SEHK, Stock Code: 02323) from March 2016 to April 2018.

SENIOR MANAGEMENT

Mr. Zhu Gaofeng, aged 44, is the Chief Financial Officer and Vice President of the Group. Mr. Zhu is qualified as an internationally certified internal auditor and a China certified public accountant. He graduated from Yancheng Commerce School (鹽城商業學校) in Jiangsu Province in 1993, obtained a professional degree in finance and accounting from Anhui College of Finance and Trading (安徽財貿學院) in 1998 and obtained a Bachelor's degree in accounting from Yancheng Teachers University (鹽城師範學院) in 2008. Mr. Zhu joined Bosideng Corporation in 2005. Prior to joining the Group, he had worked in management positions relating to finance in Jiangsu Yueda Investment Co., Ltd. (SSE, Stock Code: 600805) for 12 years. Mr. Zhu has previously served as the auditing manager, vice-financial officer, financial controller and assistant to the president of the Group, and has extensive experience in internal auditing, risk management and control and financial management, etc.

Mr. Wang Lijun, aged 40, is the General Manager of the Foreign Trade Division of the Group. Mr. Wang graduated from Changshu College (常熟高等專科學校) (currently known as Changshu Institute of Technology) majoring in Foreign Trade English in June 2000 and graduated from Nanjing University of Science and Technology with a Master's degree in business administration in June 2014. Mr. Wang joined Bosideng Corporation in July 2000 and successively served as the business supervisor, business manager, business director and Deputy General Manager of the Foreign Trade Division. In April 2017, he was appointed as the General Manager of the Foreign Trade Division, responsible for the overall foreign trade business of the Group. Mr. Wang has extensive experience in apparel development, technological management, production management and international expansion.

Mr. Zhou Daming, aged 35, is currently the Deputy General Manager of Bosideng Down Wear Limited, a subsidiary of the Company. Mr. Zhou graduated from Shanghai Urban Engineering College (上海城市工程學院) majoring in municipal administration in 2005. He joined Bosideng Corporation in April 2006 and successively served as the retail supervisor of Chongqing Branch, General Manager of retail companies in Liaoning and General Manager of North China region. In April 2017, he was appointed as the Deputy General Manager of the Bosideng Brand Division. Mr. Zhou is currently responsible for the offline sales of the Bosideng brand of the Group and has many years of practical experience in channel transformation, retail promotion and team building.

Directors and Senior Management

Mr. Zhao Xuejun, aged 44, is the General Manager of the E-Commerce Center of Bosideng Down Wear Limited, a subsidiary of the Company. He is responsible for the e-commerce management business of the Bosideng brand. Mr. Zhao graduated from Shanghai Qingpu Fishery School (上海青浦水產學校) in 1991 and graduated from Anhui University of Finance and Economics majoring in economic management in January 2008. He joined Bosideng Corporation in September 2002 and successively served as the information supervisor and manager of the Information Technology Department of the Group. In April 2009, he took the lead in the establishment and operation of e-commerce of the Bosideng brand and led the continuous development of the e-commerce business. Mr. Zhao is currently responsible for the online management of the Bosideng brand and has relatively extensive practical experience in e-commerce management.

Mr. He Maosheng, aged 41, is an assistant to the Executive President and the General Manager of the Supply Chain Management Center of the Group. Mr. He graduated from Jiangxi Institute of Fashion Technology majoring in design and engineering in 1998. He joined Bosideng Corporation in December 2010 and successively served as the assistant to the director and director of the supply chain of the Group. He was appointed as the assistant to the Executive President and the general manager of the Supply Chain Management Center of the Group in 2017. He is currently responsible for the management and operation of the supply chain business of the Group. Mr. He has been dedicated to apparel management for nearly 20 years and has solid theoretical and practical experience in resource allocation and integration, closed-loop management and control for quality, flexible and quick-response production, comprehensive cost control and talents training.

Mr. Dai Jianguo, aged 49, is an assistant to the Executive President and the director of the Logistics Management Center of the Group. He also possesses the qualification of Professional (Recognized) Senior Economist Specialized in Economic Field of Jiangsu Province (江蘇省經濟專業（認定）高級經濟師) and the title of Engineer (Apparel Profession) approved by Suzhou Textile and Silk Intermediate Professional Technical Qualification Evaluation Committee (蘇州市紡織絲綢中級專業技術資格評審委員會). Mr. Dai graduated from Wuhan Polytechnic University with a Bachelor's degree in engineering in 1991. He joined Bosideng Corporation in February 2002 as an assistant to the factory director and was appointed as an assistant to the Executive President and the director of the Logistics Management Center in April 2019. Mr. Dai has long been committed to apparel technique, production and manufacturing, procurement and supply, foreign trade management, logistics management as well as research and development of manufacturing, retail, logistics and supply chain information systems. He is currently responsible for the intelligent construction and daily operational management of distribution centers as well as the intelligent construction of garment factories of the Group.

COMPANY SECRETARY

Ms. Liang Shuang, aged 30, joined the Company in December 2018 and was appointed as the company secretary of the Company in May 2019. She graduated from Hong Kong Baptist University with a Bachelor of Business Administration (Honours) in Accounting in 2011 and from The University of Warwick with a Master of Science in Accounting and Finance in 2012. Ms. Liang is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, she worked at KPMG Hong Kong, responsible for the audit of several Hong Kong listed companies, and worked at China Everbright Limited (SEHK, Stock Code: 00165), managing private equity funds regulated under the Securities and Futures Commission.

CHANGES OF INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF LISTING RULES

Below is the information relating to the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 interim report:

- Mr. Dong Binggen, an independent non-executive Director, has resigned as Chairman of China Union Holdings Ltd. (SZSE, Stock Code: 000036), with effect from June 11, 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT OF DIRECTORS

The Board presents this annual report, together with the audited financial statements of the Group for the year ended March 31, 2019 set out in the Auditor's Report contained in this annual report (the "Financial Statements").

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on July 10, 2006 as an exempted company with limited liability. The Group's operations are substantially conducted through its direct or indirect subsidiaries in the PRC. The Group primarily focuses on developing and managing the portfolio of its down apparel brands, which includes research, design and development, raw materials procurement, outsourced manufacturing, and marketing and distribution of branded down apparel products, OEM products and non-down apparel products in the PRC.

The Group's revenue and net profits attributable to the shareholders during the year are set out in the consolidated statement of comprehensive income on pages 89 to 91 and Note 6 to the Financial Statements.


URBAN
EXPLORER

Report of Directors

BUSINESS REVIEW

A fair review of the business of the Group, a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position, the future development of the Group's business, and principal business risks and uncertainties are provided in the "Chairman's Statement" and "Management Discussion and Analysis" and "Subsequent Events" sections, respectively, on pages 6 to 9 and on pages 10 to 45 and page 81 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in Note 34 to the Financial Statements. These discussions form part of this Report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has always encouraged environmental protection, strictly complied with environmental regulations and promoted environmental protection awareness among employees. The Group implements strict monitoring through the establishment of an ever-improving environmental management system. During the year, the Group was in compliance, in all material respects, with the relevant laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year and up to the date of this report, the Group has complied with all the relevant laws and regulations in the places where the Group operates in all material respects.

DEPENDENCE OF EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group adopts market remuneration practices by reference to market terms, company performance, and individual qualifications and performance with well and organized management structure, no key and specific employee would materially and significantly affect the Group's success. Meanwhile, no major customers are accounted for more than 5% of the Group's income and no major suppliers cannot be replaced by other appropriate suppliers. In this connection, no customer or supplier would have any material impact on the success of the Group's business performance.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this report.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended March 31, 2019 are set out in the Financial Statements. The Board has resolved to recommend the payment of a final dividend of HKD6.0 cents (equivalent to approximately RMB5.3 cents) per ordinary share in respect of the year ended March 31, 2019.

NON-CURRENT ASSETS

Details of acquisition and other movements of the non-current assets during the year are set out in Notes 15 to 19 to the Financial Statements.

SHARE CAPITAL

Details of the movement in the Group's share capital during the year ended March 31, 2019 are set out in Note 32 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group during the year ended March 31, 2019 are set out in Note 32 to the Financial Statements.

BANK BORROWINGS

Details of bank borrowings of the Group as at March 31, 2019 are set out in Note 27 to the Financial Statements.

DONATIONS

The Group's charitable and other donations during the year ended March 31, 2019 amounted to approximately RMB21,635,000 (2018: approximately RMB14,270,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended March 31, 2019 and up to July 17, 2019 (being the latest practicable date prior to the printing of this report) are as follows:

Executive Directors:

Mr. Gao Dekang *(Chairman of the Board and CEO)*
Ms. Mei Dong
Ms. Huang Qiaolian
Mr. Mak Yun Kuen *(Resigned with effect from May 1, 2019)*
Mr. Rui Jinsong
Mr. Gao Xiaodong

Independent non-executive Directors:

Mr. Dong Binggen
Mr. Wang Yao
Dr. Ngai Wai Fung
Mr. Lian Jie *(Retired with effect from August 27, 2018)*

All of the Directors were appointed for a fixed term of three years under their respective service contracts or appointment letters entered into with the Company, renewable automatically for successive terms of one year, until terminated by either party by giving a three-month notice. In accordance with Article 87 of the articles of association of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation and these retiring Directors shall be eligible for re-election at that annual general meeting. Accordingly, Mr. Rui Jinsong, Mr. Gao Xiaodong and Dr. Ngai Wai Fung shall retire by rotation at the forthcoming annual general meeting (the "AGM").

Pursuant to code provision A.4.3 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Dr. Ngai Wai Fung was appointed as an independent non-executive Director in September 2007 and therefore would have served for more than 9 years as at the date of the AGM. Dr. Ngai Wai Fung has confirmed his independence with reference to the factors as set out in Rule 3.13 of the Listing Rules. Notwithstanding his years of service as an independent non-executive Director and his holding of more than seven listed company directorships, (i) the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that Dr. Ngai Wai Fung remains independent; (ii) the Nomination Committee has assessed and is satisfied of the independence of Dr. Ngai Wai Fung; and (iii) the Board is satisfied that through exercising scrutinising and monitoring functions as an independent non-executive Director, Dr. Ngai Wai Fung has continued to provide independent and objective judgement and advice to the Board to safeguard the interests of the Group and the Shareholders. As such, the Board believes that Dr. Ngai Wai Fung has the character, integrity, independence and expertise to continue to fulfill his role as an independent non-executive Director effectively and will continue to bring valuable experience, knowledge and professionalism to the Board and would recommend Dr. Ngai Wai Fung for re-election as an independent non-executive Director at the AGM.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors the confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers the independent non-executive Directors to be independent.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" in this report.

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at March 31, 2019, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares") or 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 had 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 were as follows:

Long position in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company *(Note 1)*
Mr. Gao Dekang	Controlled corporation *(Note 2)*	3,198,791,201	29.93%
	Deemed interest *(Note 3)*	2,763,697	0.03%
	Founder of discretionary trust *(Note 4)*	3,844,862,385	35.97%
	Founder of discretionary trust *(Note 5)*	611,656,857	5.72%
Ms. Mei Dong	Deemed interest *(Note 2)*	3,198,791,201	29.93%
	Beneficial owner	2,763,697	0.03%
	Beneficiary of discretionary trust *(Note 4)*	3,844,862,385	35.97%
	Beneficiary of discretionary trust *(Note 5)*	611,656,857	5.72%
Ms. Huang Qiaolian	Beneficial owner *(Note 6)*	20,763,697	0.19%
Mr. Mak Yun Kuen *(Note 7)*	Beneficial owner *(Note 6)*	16,504,000	0.15%
Mr. Rui Jinsong	Beneficial owner *(Note 6)*	104,278,242	0.98%
Mr. Gao Xiaodong	Beneficiary of discretionary trust *(Note 4)*	3,844,862,385	35.97%
	Beneficiary of discretionary trust *(Note 5)*	611,656,857	5.72%

Notes:

1. The percentage represents the number of Shares interested divided by the total number of the issued Shares as at March 31, 2019 of 10,688,456,385.

2. These Shares were directly held by Kong Bo Investment Limited (as to 3,146,219,202 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 Bo Flying Limited. Bo Flying Limited is wholly owned by Bosideng Corporation Limited which in turn owned as to 67.54% by Bosideng Holdings Group Co., Ltd. and 24.46% by Jiangsu Kangbo Investment Co., Ltd. (a company wholly owned by Mr. Gao Dekang. Bosideng Holdings Group Co., Ltd. is owned as to 81.56% by Jiangsu Kangbo Investment Co., Ltd. and 18.44% by Mr. Gao Dekang, who is deemed to be interested in such Shares under the SFO. As Ms. Mei Dong is the spouse of Mr. Gao Dekang, Ms. Mei Dong is deemed to be interested in the 3,198,791,201 Shares interested by Mr. Gao Dekang under the SFO.

3. Mr. Gao Dekang is the spouse of Ms. Mei Dong. Thus, he is deemed to be interested in the 2,763,697 Shares held by Ms. Mei Dong under the SFO.

4. These Shares were directly held by New Surplus International Investment Limited ("New Surplus"), the ordinary shares of which are wholly owned by Topping Wealth Limited and the non-voting preference shares of which are wholly owned by IC International Company Limited ("ITC SPC"). Topping Wealth Limited is wholly owned by Kova Group Limited, which is wholly owned by a trust, the trustee of which is Cititrust Private Trust (Cayman) Limited. The trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO. Further, Topping Wealth Limited had conferred and assigned all its voting rights in New Surplus to Bo Flying Limited, which is wholly owned by Bosideng Corporation Limited which in turn controlled by Bosideng Holdings Group Co., Ltd.. Bosideng Holdings Group Co., Ltd. is controlled by Mr. Gao Dekang. Accordingly, each of Kova Group Limited, Topping Wealth Limited, Bo Flying Limited, Bosideng Corporation Limited and Bosideng Holdings Group Co., Ltd. is deemed to be interested in the 3,844,862,385 Shares held by New Surplus under the SFO. Mr. Gao Dekang is a director of each of New Surplus, Topping Wealth Limited, Bo Flying Limited, Kong Bo Investment Limited, Jiangsu Kangbo Investment Co., Ltd., Honway Enterprises Limited, Bosideng Corporation Limited and Bosideng Holdings Group Co., Ltd. Mr. Gao Xiaodong is a director of Bosideng Corporation Limited and a general manager of Jiangsu Kangbo Investment Co., Ltd.

5. These Shares were directly held by Honway Enterprises Limited, which is wholly owned by First-Win Enterprises Limited, which is in turn wholly owned by a trust, the trustee of which is Cititrust Private Trust (Cayman) Limited. The trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong and Mr. Gao Xiaodong). Accordingly, each of Mr. Gao Dekang, Ms. Mei Dong and Mr. Gao Xiaodong is deemed to be interested in such Shares under the SFO.

6. Details of the Options and awarded Shares are set out in the section headed "Share Option Schemes" and "Share Award Scheme" of this report.

7. Mr. Mak Yun Kuen resigned as an executive Director with effect from May 1, 2019.

Save as disclosed above, as at March 31, 2019, none of the Directors or chief executive 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 had 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 March 31, 2019, 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 executive of the Company, the following persons, other than Directors or chief executive 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 Party XV of the SFO, or who was directly or indirectly interested in 5% or more of the number of the issued Shares 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 *(Note 9)*
Jiangsu Kangbo Investment Co., Ltd. *(Note 8)*	Interest of controlled corporation *(Note 1)*	3,198,791,201	29.93%
	Interest of controlled corporation *(Note 2)*	3,844,862,385	35.97%
Bosideng Holdings Group Co., Ltd. *(Note 8)*	Interest of controlled corporation *(Note 1)*	3,198,791,201	29.93%
	Interest of controlled corporation *(Note 2)*	3,844,862,385	35.97%
Bosideng Corporation *(Note 8)*	Interest of controlled corporation *(Note 1)*	3,198,791,201	29.93%
	Interest of controlled corporation *(Note 2)*	3,844,862,385	35.97%
Bo Flying Limited *(Note 8)*	Interest of controlled corporation (Note 1)	3,198,791,201	29.93%
	Interest of controlled corporation (Note 2)	3,844,862,385	35.97%
Kong Bo Investment Limited *(Note 8)*	Beneficial interest *(Note 1)*	3,146,219,202	29.44%
Cititrust Private Trust (Cayman) Limited	Interest of controlled corporation *(Note 3)*	611,656,857	5.72%
	Interest of controlled corporation *(Note 2)*	3,844,862,385	35.97%
Kova Group Limited	Interest of controlled corporation *(Note 2)*	3,844,862,385	35.97%
Topping Wealth Limited *(Note 8)*	Interest of controlled corporation *(Note 2)*	3,844,862,385	35.97%
	Party to section 317 agreement *(Note 4)*	3,201,554,898	29.95%
New Surplus *(Note 8)*	Beneficial interest *(Note 2)*	3,844,862,385	35.97%
	Party to section 317 agreement *(Note 4)*	3,201,554,898	29.95%
First-Win Enterprises Limited	Interest of controlled corporation *(Note 3)*	611,656,857	5.72%
Honway Enterprises Limited *(Note 8)*	Beneficial interest *(Note 3)*	611,656,857	5.72%
ITC SPC	Party to section 317 agreement *(Note 5)*	7,046,417,283	65.93%

Name of shareholder	Nature of interest	Number of shares in long position	Approximate percentage of interest in the Company *(Note 9)*
ITOCHU Corporation	Interest of controlled corporation *(Note 5)*	7,046,417,283	65.93%
	Party to section 317 agreement *(Note 5)*	7,046,417,283	65.93%
ITOCHU Hong Kong Limited	Interest of controlled corporation *(Note 5)*	7,046,417,283	65.93%
	Party to section 317 agreement *(Note 5)*	7,046,417,283	65.93%
CITIC Group Corporation	Interest of controlled corporation *(Notes 6 & 7)*	7,046,417,283	65.93%
CITIC Limited	Interest of controlled corporation *(Notes 6 & 7)*	7,046,417,283	65.93%
CITIC International Financial Holdings Limited	Interest of controlled corporation *(Notes 6 & 7)*	7,046,417,283	65.93%
CITIC International Assets Management Limited ("CIAM")	Party to section 317 agreement *(Notes 6 & 7)*	7,046,417,283	65.93%

Notes:

1. Same as the interests as disclosed in note (2) in the section headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above.

2. Same as the interests as disclosed in note (4) in the section headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above.

3. Same as the interests as disclosed in note (5) in the section headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above.

4. New Surplus and Topping Wealth Limited were parties acting in concert with Mr. Gao Dekang and ITC SPC under section 317(a) of the SFO. By virtue of the SFO, New Surplus and Topping Wealth Limited were deemed to be interested in 3,201,554,898 Shares, in addition to the 3,844,862,385 Shares interested by them.

5. ITOCHU Corporation was deemed to be interested in a total of the 7,046,417,283 Shares by virtue of its control over ITOCHU Hong Kong Limited, which controlled ITC SPC, a party acting in concert with Mr. Gao Dekang, Topping Wealth Limited and New Surplus under section 317(a) of the SFO. By virtue of the SFO, each of ITOCHU Corporation, ITOCHU Hong Kong Limited and ITC SPC was deemed to be interested in the 7,046,417,283 Shares.

6. CIAM and Feather Shade Limited are parties acting in concert with ITOCHU Corporation, ITOCHU Hong Kong Limited and ITC SPC under section 317(a) of the SFO. By virtue of the SFO, CIAM and Feather Shade Limited were deemed to be interested in the 7,046,417,283 Shares.

7. Each of CITIC Group Corporation, CITIC Limited, CITIC International Financial Holdings Limited and CIAM was deemed to be interested in a total of the 7,046,417,283 Shares by virtue of its control over several corporations, according to the disclosure forms filed by them on October 28, 2016, as the case maybe, the details of which are as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares
CITIC Polaris Limited	CITIC Group Corporation	100.00	N	7,046,417,283
CITIC Limited	CITIC Polaris Limited	32.53	N	7,046,417,283
CITIC Glory Limited	CITIC Group Corporation	100.00	N	7,046,417,283
CITIC Limited	CITIC Glory Limited	25.60	N	7,046,417,283
CITIC Corporation Limited	CITIC Limited	100.00	N	7,046,417,283
China CITIC Bank Corporation Limited	CITIC Corporation Limited	65.37	N	7,046,417,283
CITIC New Horizon Limited	CITIC Corporation Limited	100.00	N	7,046,417,283
Extra Yield International Limited	CITIC New Horizon Limited	100.00	N	7,046,417,283
China CITIC Bank Corporation Limited	Extra Yield International Limited	0.02	N	7,046,417,283
Metal Link Limited	CITIC Limited	100.00	N	7,046,417,283
China CITIC Bank Corporation Limited	Metal Link Limited	0.58	N	7,046,417,283
CITIC International Financial Holdings Limited	China CITIC Bank Corporation Limited	100.00	N	7,046,417,283
CIAM	CITIC International Financial Holdings Limited	40.00	N	7,046,417,283
Feather Shade Limited	CIAM	100.00	N	7,046,417,283

8. Same as the directorships and/or positions as disclosed in note (4) in the section headed "Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above.

9. The percentage represents the number of Shares interested divided by the total number of the issued Shares as at March 31, 2019 of 10,688,456,385.

Save as disclosed above, as at March 31, 2019, none of the substantial shareholders 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 is directly or indirectly interested in 5% or more of the issued Shares carrying rights to vote in all circumstances at general meeting of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or is likely to compete (either directly or indirectly) with the Group's business at any time during the year ended March 31, 2019 and up to the date of this report.

As disclosed in the Prospectus, Mr. Gao Dekang has entered into a Non-competition Deed (as defined in the Prospectus) dated September 15, 2007 in favour of the Company. Mr. Gao Dekang has provided the Group with a written confirmation that he and his associates (other than members of the Group) (the "Parent Group") have fully complied with the Non-competition Deed as at the date of this report.

The independent non-executive Directors have, based on the information available to them, including information and confirmation provided by or obtained from the Parent Group, for the financial year ended March 31, 2019, conducted a review of the compliance with the Non-competition Deed and are of the view that: (i) the Parent Group have complied with the non-competition undertakings pursuant to the Non-competition Deed; and (ii) there have been no decisions taken in relation to whether to exercise the option pursuant to the Non-competition Deed and whether to pursue any business opportunities which may be referred or offered to the Group by the Parent Group pursuant to the Non-competition Deed.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

The Parent Group has entered into certain transactions as further described below under the heading "Continuing Connected Transactions" and Note 36 to the Financial Statements under the section "Related Party Transactions". Ms. Mei Dong is the spouse of Mr. Gao Dekang and Mr. Gao Xiaodong is the son of Mr. Gao Dekang and Ms. Mei Dong. Save as disclosed, no Director or an entity connected with a Director had a material interest in any transaction, arrangement or contract of significance to the Group's business for the year ended March 31, 2019 in which the Group was a party.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on their performance, qualifications and competence displayed.

The remuneration of the Directors recommended by the Remuneration Committee to the Board was determined with regards to the Company's operating results, individual performance and comparable market statistics.

Details of the remuneration of the Directors and of the five highest paid individuals in the Group are set out in Notes 12 and 13 to the Financial Statements.

PROVIDENT AND RETIREMENT BENEFIT SCHEMES

The Group's employees in the PRC participate in various defined contribution schemes provided by the relevant provincial and municipal governments under which the Group is required to make monthly contributions to these schemes. The Group's subsidiaries in the PRC contribute funds to the retirement schemes, which are calculated on a stipulated percentage of the average employee salary provided by the relevant provincial and municipal government.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each member of the Group in Hong Kong (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HKD1,500 per month (for periods from June 1, 2014) and thereafter contributions are voluntary.

The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

The Group's contributions to the retirement benefit schemes charged to the consolidated statement of comprehensive income for the year ended March 31, 2019 were approximately RMB101,360,000 (2018: approximately RMB70,079,000). As at March 31, 2019, the Group had no forfeited contributions available to reduce its contributions in future years (2018: nil).

Details of the Group's contributions to the retirement benefit schemes are shown in Note 8 to the Financial Statements.

MANAGEMENT CONTRACTS

Save as disclosed below under the section headed "Continuing Connected Transactions" and the employment contracts, no contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year ended March 31, 2019.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain non-exempt continuing connected transactions with the Parent Group, which are subject to the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Certain related party transactions as disclosed in Note 36 to the Financial Statements also constituted non-exempt continuing connected transactions which were required to be disclosed in accordance with Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of the above-mentioned connected transactions.

Further details of these transactions are set out below, in the chapter headed "Relationship with Controlling Shareholders and Connected Transactions" of the Prospectus and in the Company's announcements dated March 11, 2010, January 9, 2012, April 22, 2013, June 26, 2014, December 23, 2014, March 23, 2016, March 28, 2017, March 22, 2019 and May 27, 2019 and circulars dated March 31, 2010, February 7, 2012, July 25, 2014, January 21, 2015 and May 12, 2017.

FRAMEWORK MANUFACTURING OUTSOURCING AND AGENCY AGREEMENT

The Group outsourced the manufacturing process of down apparel, OEM products and/or its down related materials to third party manufacturers and the Parent Group on a non-exclusive basis. Under the framework manufacturing outsourcing and agency agreement (the "Framework Manufacturing Outsourcing and Agency Agreement") entered into between the Company and Mr. Gao Dekang on September 15, 2007, together with a supplemental agreement dated May 27, 2019, the Parent Group shall provide labour, factory, premises, necessary equipment, water and electricity for the processing of the down apparel products and/or down related materials of the Group. The processing fee is to be charged at the costs to be incurred for the processing services estimated by the Group and the applicable mark-up rate ranging from 5% to 10% (depending on location, quantity and the turnaround time of the processing services required) (the "Estimated Cost"), the Company will then invite independent third parties to consider if they are able to provide the processing services on similar terms (i.e. quality, turnaround time, payment terms) at a fixed price (being the Estimated Cost) or any lower price they can offer. Should the terms offered by independent manufacturers be lower than the Estimated Cost with other terms better than or similar to those offered by the Parent Group, the Group will then appoint the other outsourcing manufacturers for the processing of down apparel products and/or its down related materials.

The Framework Manufacturing Outsourcing and Agency Agreement has an initial term of three years from September 15, 2007 to September 14, 2010 and has been renewed and will be further extended to September 14, 2022 (subject to the approval of the shareholders in the forthcoming extraordinary general meeting). Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the Framework Manufacturing Outsourcing Agreement is renewable for another term of three years by giving at least three months' notice prior to the expiry of the term.

The proposed annual caps of the Framework Manufacturing Outsourcing and Agency Agreement for the three financial years ending March 31, 2020, 2021 and 2022, were RMB1,770,000,000, RMB2,470,000,000 and RMB3,270,000,000, respectively, subject to the shareholders' approval in the forthcoming extraordinary general meeting.

The actual amount of fees paid or payable by the Group to the Parent Group for the year ended March 31, 2019 was RMB1,106,840,000 (2018: RMB811,484,000).

LEASE AGREEMENTS

As at March 31, 2019, the Parent Group leased 11 properties with a total area of approximately 149,470 square metres to the Group, which were mainly used as the Group's regional offices, warehouses, logistics centres and showrooms, pursuant to the property lease agreement dated September 15, 2007 and agreements supplemental to the property lease agreement entered into between the Company and Mr. Gao Dekang.

The term of each lease granted under the original property lease agreement shall be no more than 20 years. Under the property lease agreement, the Group may terminate a lease of any premise, by giving a 30-day prior notice, at any time prior to its expiry at its sole discretion and without penalty. The Parent Group, on the other hand, is not entitled to terminate any lease under the property lease agreement without the Group's consent.

On April 6, 2016, the Company and Mr. Gao Dekang entered into the supplemental lease agreement, pursuant to which the Parent Group agreed to lease additional premises in the PRC to the Group from time to time for a term not more than three years from April 22, 2016 (or from its subsequent renewal date). The new leases to be entered into under the supplemental lease agreement shall, subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, be renewable at the option of the Company for another term of three years by giving at least three months' notice prior to the expiry of the term. Under the property lease agreement and its supplemental agreements, the annual rental paid and expected to be paid by the Group to the Parent Group for the leasing of properties have been determined on an arm's length basis by reference to the prevailing market condition in the PRC and the market rates of comparable properties, which in any event are not higher than the rent applicable to a third party tenant at the relevant time.

The Board has approved the annual caps of RMB40,000,000, RMB50,000,000 and RMB60,000,000 for the three financial years ending March 31, 2020, 2021 and 2022, respectively, on March 22, 2019. The Company also served a notice of renewal to the Parent Group on March 22, 2019 to renew the agreement for another term of three years from September 15, 2019.

The actual amount of rental payable by the Group to the Parent Group for the year ended March 31, 2019 was RMB21,621,000 (2018: RMB12,780,000).

FRAMEWORK INTEGRATED SERVICE AGREEMENT

The Parent Group had also provided the Group with various ancillary services, which currently include the provisions of hotel accommodation and property management services, which include repair and maintenance, security and general cleaning, for the properties occupied by the Group in the PRC, pursuant to the framework integrated service agreement (the "Framework Integrated Service Agreement") dated September 15, 2007 entered into between the Company and Mr. Gao Dekang.

The Framework Integrated Service Agreement has an initial term of three years from September 15, 2007 to September 14, 2010 and has been renewed and further extended to September 14, 2022. Subject to compliance by the Group with the relevant requirements applicable to continuing connected transactions under the Listing Rules, the Framework Integrated Service Agreement is renewable at the option of the Company for another term of three years or such other term as agreed by the parties by giving at least three months' notice prior to the expiry of the term.

The service fees payable by the Group to the Parent Group under the Framework Integrated Service Agreement are determined by reference to (i) the rate set by the PRC Government, or (ii) the rate not higher than the rate recommended by the PRC Government (if the PRC Government has not fixed a rate), or (iii) the rate not higher than the market price for similar services or products provided in the vicinity or the market price for similar services or products provided in the PRC if no market price for similar services provided in the vicinity is available, or (iv) a fee agreed by the parties after taking into account the actual cost or reasonable cost (whichever is lower) plus reasonable profits for the provision of similar services or products if bases (i) to (iii) are not available.

The Board has approved the annual caps of RMB18,000,000, RMB20,000,000 and RMB22,000,000 for the three financial years ending March 31, 2020, 2021 and 2022, respectively, on March 22, 2019.

The actual amount of service fees payable by the Group to the Parent Group for the year ended March 31, 2019 was RMB8,424,000 (2018: RMB7,174,000).

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have confirmed that the continuing connected transactions set out above and in Note 36 to the Financial Statements were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on better terms to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the Company's auditor to perform certain agreed-upon procedures in respect of the continuing connected transactions set out above on a sample basis. The auditor has reported their factual findings on the selected samples based on the agreed procedures to the Board and has confirmed that the continuing connected transactions set out above have complied with the requirements under Rule 14A.56 of the Listing Rules.

SHARE OPTION SCHEMES

2007 Share Option Scheme

A share option scheme was conditionally approved by a resolution of the shareholders passed on September 10, 2007 and adopted by a resolution of the Board on September 15, 2007 (the "2007 Share Option Scheme"), which was expired in October 2017.

The purpose of the 2007 Share Option Scheme was to attract skilled and experienced personnel, to incentivise them to remain with the Group, to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the Group's future development and expansion, by providing them with the opportunity to acquire equity interests in the Company. The Board may, at its absolute discretion, offer any employee, management member or Director of the Company, or any of the Group's subsidiaries and third-party service providers options ("Options") to subscribe for Shares on the terms set out in the 2007 Share Option Scheme. The amount payable on acceptance of an Option was HKD1.00. Details of the 2007 Share Option Scheme were provided in the Prospectus.

As the 2007 Share Option Scheme expired in October 2017, the adoption of a new share option scheme was proposed by the Board on July 26, 2017 and approved by the shareholders on August 25, 2017 (the "Share Option Scheme").

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to replace the 2007 Share Option Scheme and to attract skilled and experienced personnel, to incentivise them to remain with the Company and to give effect to the customer-focused corporate culture of the Company, and to motivate them to strive for the future development and expansion of the Company, by providing them with the opportunity to acquire equity interests in the Company. The Board may, at its absolute discretion, offer any director (including independent non-executive director), employee (whether full-time or part-time), consultant or advisor of the Group who in the sole discretion of the Board has contributed or will contribute to the Group Options to subscribe for Shares on the terms set out in the Share Option Scheme. The amount payable on acceptance of an Option is HKD1.00. Details of the Share Option Scheme were provided in the Company's circular dated July 26, 2017.

Unless otherwise terminated by the Board or the Company's shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from August 25, 2017 (the "Adoption Date"), after which no further Option will be granted or offered, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Option granted prior to the expiry of this 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme when aggregated with the maximum number of Shares in respect of which Options may be granted under any other scheme shall not exceed 10% of the Company's issued share capital on the Adoption Date (being 1,068,256,038 Shares) without prior approval from the Company's shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other Options granted and yet to be exercised under any other scheme shall not exceed 30% of the Company's issued share capital from time to time. No Option may be granted to any person such that the total number of Shares issued and to be issued upon the exercise of Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time, unless the approval of the Company's shareholders is obtained.

SHARE OPTION SCHEMES (continued)

The period within which the Options must be exercised will be specified by the Company at the time of grant, and must expire no later than 10 years from the date of grant of the Option (being the date on which the Board makes a written offer of grant of the Option to the relevant proposed beneficiary) unless the Company obtains separate shareholders' approval in relation to such grant.

The amount payable for each Share to be subscribed for under an Option upon exercise shall be not less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

According to the scheme mandate limit of the Share Option Scheme, the Company may further grant 727,656,038 Options, representing approximately 6.79% of the issued share capital of the Company as at July 17, 2019, being the latest practicable date prior to the printing of this report.

Details of the movement of the Options pursuant to the 2007 Share Option Scheme and the Share Option Scheme during the year ended March 31, 2019 are set out in Note 33 to the Financial Statements and are included in the table as follows:

	Number of Options							
Category of participants	As at March 31, 2018	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	As at March 31, 2019	Date of grant of Options *(Note 1)*	Exercise price of share options per share *(Note 2)*
Directors								
Mak Yun Kuen *(Note 3)*	*11,200,000*	–	*5,896,000*	–	–	*5,304,000*	*05/08/2016*	*HKD0.71*
	11,200,000		**5,896,000**			**5,304,000**		
Rui Jinsong	*11,200,000*	–	–	–	–	*11,200,000*	*05/08/2016*	*HKD0.71*
	–	*80,000,000*	–	–	–	*80,000,000*	*26/10/2018*	*HKD1.07*
	11,200,000	**80,000,000**	–	–	–	**91,200,000**		
Huang Qiaolian	*5,600,000*	–	–	–	–	*5,600,000*	*05/08/2016*	*HKD0.71*
	3,400,000	–	–	–	–	*3,400,000*	*05/03/2018*	*HKD0.69*
	9,000,000	–	–	–	–	**9,000,000**		
Others								
Others	*144,600,000*	–	–	*2,400,000*	*5,100,000*	*137,100,000*	*05/08/2016*	*HKD0.71*
	77,200,000	–	–	–	*2,000,000*	*75,200,000*	*05/03/2018*	*HKD0.69*
	–	*180,000,000*	–	–	–	*180,000,000*	*26/10/2018*	*HKD1.07*
	221,800,000	**180,000,000**	–	**2,400,000**	**7,100,000**	**392,300,000**		
Total	**253,200,000**	**260,000,000**	**5,896,000**	**2,400,000**	**7,100,000**	**497,804,000**		

SHARE OPTION SCHEMES (continued)

Notes:

1. As at March 31, 2019, the Company had a total of 497,804,000 outstanding Options, of which:

    1.1. 159,204,000 Options were granted on August 5, 2016 under the 2007 Share Option Scheme, of which:

        1.1.1. 109,674,000 Options have been vested; and

        1.1.2. 49,530,000 Options shall be vested during the period commencing from August 5, 2019 and ending on August 4, 2020

    1.2. 78,600,000 Options were granted on March 5, 2018 under the Share Option Scheme, of which:

        1.2.1. 33,720,000 Options have been vested;

        1.2.2. 28,140,000 Options shall be vested during the period commencing from March 5, 2020 and ending on March 4, 2021; and

        1.2.3. 16,740,000 Options shall be vested during the period commencing from March 5, 2021 and ending on March 4, 2022;

    1.3. 260,000,000 Options were granted on October 26, 2018 under the Share Option Scheme, of which:

        1.3.1. 8,670,000 Options shall be vested during the period commencing from October 26, 2019 and ending on October 25, 2020;

        1.3.2. 18,420,000 Options shall be vested during the period commencing from October 26, 2020 and ending on October 25, 2021;

        1.3.3. Each 33,280,000 Options shall be vested during each of the year ending on October 25, 2022, 2023, 2024, 2025, 2026 and 2027, respectively; and

        1.3.4. 33,230,000 Options shall be vested during the period commencing from October 26, 2027 and ending on October 25, 2028.

2. The closing price of the Shares immediately before the respective dates of grant was HKD0.69, HKD0.68 and HKD1.07 per Share, respectively.

3. Mr. Mak Yun Kuen resigned as an executive Director with effect from May 1, 2019.

SHARE AWARD SCHEME

On September 23, 2011, the Company adopted a share award scheme (the "Share Award Scheme"), which is not subject to the provisions of Chapter 17 of the Listing Rules, to recognize and reward the contribution of certain eligible employees to the growth and development of the Group through an award of the Shares. The Share Award Scheme expired on March 31, 2018, after which no further awarded Share was granted, but the provisions of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any outstanding awarded Shares granted prior its expiry or otherwise as may be required in accordance with the provisions of the Share Award Scheme.

Details of the movement of the awarded Shares pursuant to the Share Award Scheme during the year ended March 31, 2019 are set out in Note 33 to the Financial Statements and are included in the table as follows:

Category of participants	As at March 31, 2018	Number of awarded Shares Vested during the reporting period	Lapsed during the reporting period	As at March 31, 2019
Directors				
Mak Yun Kuen *(Note)*	6,720,000	3,360,000	–	**3,360,000**
Rui Jinsong	6,720,000	3,360,000	–	**3,360,000**
Huang Qiaolian	6,760,000	3,380,000	–	**3,380,000**
Others				
Others	160,360,000	71,710,000	4,340,000	**84,310,000**
Total	**180,560,000**	**81,810,000**	**4,340,000**	**94,410,000**

Note: Mr. Mak Yun Kuen resigned as an executive Director with effect from May 1, 2019.

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

During the year, pursuant to the terms of the rules and deed of settlement of the Share Award Scheme, the trustee of the Share Award Scheme purchased on the Stock Exchange a total of 42,570,000 Shares at an aggregate consideration of approximately HKD34.7 million.

Save as disclosed above, the Company and its subsidiaries had not purchased, sold or redeemed any the Company's listed securities during the year ended March 31, 2019.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued Shares were held by the public as at July 17, 2019 (being the latest practicable date prior to the printing of this report).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended March 31, 2019, the Group's five largest suppliers (comprising suppliers of down, fabric and ancillary materials) together accounted for less than 30% of the Group's total raw material purchases.

Zhongke Bosideng Nanotech Garment (Suzhou) Co., Ltd., the Group's supplier of fabric developed from nanotechnology, is 68% indirectly controlled by the Parent Group. For the year ended March 31, 2019, no purchases were made by the Group from this supplier. Save as disclosed above, none of the Directors, their associates or any shareholder of the Company (who or which, to the knowledge of the Directors, owns more than 5% of the Shares) had any equity interest in any of the Group's major suppliers.

For the year ended March 31, 2019, the Group's five largest customers accounted for less than 30% of the Group's revenue and none of the Directors, their associates or any shareholder (who or which to the knowledge of the Directors, owns more than 5% of the Shares) had any interest in any of the Group's major customers.

COMMITMENTS AND CONTINGENT LIABILITIES

Details of the commitments and contingent liabilities of the Group are set out in Note 35 to the Financial Statements.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout this year.

SUBSEQUENT EVENTS

There were no subsequent events after the reporting period up to the date of this report.

AUDITOR

The Financial Statements have been audited by KPMG. A resolution for the re-appointment of KPMG as the Company's auditor will be proposed at the AGM.

By order of the Board
Gao Dekang
Chairman of the Board of Directors

Hong Kong, June 26, 2019

Independent Auditor's Report

Independent auditor's report to the shareholders of
Bosideng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Bosideng International Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 89 to 193, which comprise the consolidated statement of financial position as at March 31, 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Assessment of impairment of goodwill	
Refer to note 17 to the consolidated financial statements and the accounting policies on page 145 to page 147.	
The Key Audit Matter	**How the matter was addressed in our audit**
For the purpose of impairment testing, goodwill in the consolidated statement of financial position is allocated to three cash-generating units ("CGUs") which are derived from the Group's acquisitions of three ladieswear businesses (including Jessie brand, Buou Buou brand and Tianjin ladieswear). An assessment of impairment of goodwill is performed by management annually. Management assesses impairment of goodwill by preparing discounted cash flow forecasts for each CGU to which goodwill has been allocated and comparing the net present value of the forecast cash flows with the carrying values of the related assets. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in estimating future sales growth rates and the discount rates applied. We identified assessing impairment of goodwill as a key audit matter because assessing impairment involves forecasting future cash flows which is complex and inherently uncertain and could be subject to management bias.	Our audit procedures to assess the valuation of goodwill included the following: • assessing management's identification of CGUs and the allocation of assets and liabilities to each CGU with reference to the requirements of the prevailing accounting standards; • involving our internal valuation specialists to assist us in evaluating the methodology adopted by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • comparing the most significant inputs in the discounted cash flow forecasts, including growth rates of future revenue, future margins and cost, with the latest financial budgets approved by the board of directors, historical performance, management's forecasts, industry reports and business developments subsequent to the reporting date and assessing the discount rates applied in the discounted cash flow forecasts by benchmarking against the discount rates of similar retailers; • obtaining sensitivity analyses of both the discount rates and future cash flows and considering the resulting impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the disclosures in the consolidated financial statements in respect of assessing impairment of goodwill with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Valuation of inventories

Refer to note 20 to the consolidated financial statements and the accounting policies on page 150.

The Key Audit Matter	How the matter was addressed in our audit
Sales of inventories in the apparel industry can be volatile with consumer demand changing according to current fashion trends. The Group typically sells or disposes of off-season inventories at a markdown from the original price to make room for new season inventories. Accordingly, the actual future selling prices of some items of inventories may fall below their purchase costs. Management calculates the inventory provision based on the forecast net realizable value of sales of inventories. The forecast quantities to be sold and the corresponding selling prices are prepared based on the Group's sales and marketing strategies, the current market conditions and the historical experience of distributing and selling products of a similar nature. Management also compares the subsequent sales quantities and selling prices with the forecast in each of the subsequent periods. We identified the valuation of inventories as a key audit matter because of the significant management judgement exercised by the management in determining the appropriate level of inventory provisions which involves predicting the amounts of inventories which will be unsold at the end of each season and the markdowns necessary to sell such off-season inventories on a discounted basis in future years. Both of these factors can be inherently uncertain and could be subject to management bias.	Our audit procedures to assess the valuation of inventories included the following: • assessing whether the inventory provisions at the reporting date were consistent with the Group's inventory provision policy by recalculating the inventory provisions based on the mechanisms and other parameters in the Group's inventory provision policy and considering the application of the Group's inventory provision policy with reference to the requirements of the prevailing accounting standards; • attending the Group's inventory counts at the year end to assess, on a sample basis, the quantity and condition of inventories at that date; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing the ageing of the sampled items with information relating to production dates on the labels of garments or receipt dates on the receipt notes of raw materials we inspected during our attendance at the Group's inventory counts; • assessing the Group's inventory provision policy by comparing management's forecasts of the quantities of inventories which are unlikely to be sold in the foreseeable future at current selling price and the corresponding forecast markdowns with the historical sales amounts and markdown data for the current and the prior years; • comparing inventory balances by season with respective balances in prior years and the movement by season with historical movements to identify inventories which were relatively slow moving; • comparing the carrying amounts of a sample of inventory items at the reporting date with the selling prices actually achieved subsequent to the reporting date; and • enquiring of the management about any expected changes in plans for markdowns or disposals of off-season inventories and comparing their representations with actual sales transactions subsequent to the reporting date.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended March 31, 2019 (Expressed in Renminbi)

	Note	For the year ended March 31, 2019 RMB'000	2018 RMB'000 (Note)
Revenue	6	**10,383,453**	8,880,792
Cost of sales		**(4,869,939)**	(4,761,690)
Gross profit		**5,513,514**	4,119,102
Other income	7	**90,806**	65,622
Selling and distribution expenses		**(3,439,852)**	(2,451,503)
Administrative expenses		**(729,068)**	(630,180)
Impairment losses on goodwill and intangible assets	17	**(43,000)**	(165,361)
Other expenses		**(21,635)**	(14,270)
Profit from operations		**1,370,765**	923,410
Finance income		**186,537**	120,157
Finance costs		**(162,824)**	(155,300)
Net finance income/(costs)	10	**23,713**	(35,143)
Profit before income tax		**1,394,478**	888,267
Income tax expense	11	**(388,918)**	(248,746)
Profit for the year		**1,005,560**	639,521

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended March 31, 2019 (Expressed in Renminbi)

	Note	For the year ended March 31, 2019 RMB' 000	2018 RMB' 000 (Note)
Other comprehensive income for the year:			
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income			
– net movement in fair value reserve (non-recycling)		**(27,506)**	–
		(27,506)	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**(30,482)**	103,587
Other financial assets: net movement in fair value reserve (recycling)		**7,470**	–
Available-for-sale securities: net movement in fair value reserve (recycling)		–	(4,364)
		(23,012)	99,223
Other comprehensive income for the year, net of tax		**(50,518)**	99,223
Total comprehensive income for the year		**955,042**	738,744

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended March 31, 2019 (Expressed in Renminbi)

	Note	For the year ended March 31, 2019 RMB'000	2018 RMB'000 (Note)
Profit attributable to:			
Equity shareholders of the Company		**981,316**	615,478
Non-controlling interests		**24,244**	24,043
Profit for the year		**1,005,560**	639,521
Total comprehensive income attributable to:			
Equity shareholders of the Company		**931,065**	714,468
Non-controlling interests		**23,977**	24,276
Total comprehensive income for the year		**955,042**	738,744
Earnings per share	14		
– basic (RMB cents)		**9.32**	5.82
– diluted (RMB cents)		**9.17**	5.80

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At March 31, 2019 (Expressed in Renminbi)

	Note	At March 31, 2019 RMB'000	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	15	**1,023,660**	885,308
Lease prepayments	16	**51,284**	54,096
Intangible assets and goodwill	17	**1,800,259**	1,896,716
Investment properties	18	**285,380**	179,167
Other financial assets	23	**207,497**	–
Deferred tax assets	19	**576,467**	469,320
		3,944,547	3,484,607
Current assets			
Inventories	20	**1,931,130**	1,454,840
Trade and bills receivables	21	**1,035,042**	980,365
Deposits, prepayments and other receivables	22	**919,887**	838,492
Receivables due from related parties	36	**178,843**	200,734
Available-for-sale financial assets	23	**–**	4,513,854
Other financial assets	23	**4,416,750**	–
Pledged bank deposits	24	**679,336**	904,608
Time deposits with maturity over 3 months	25	**222,902**	271,611
Cash and cash equivalents	26	**1,754,267**	1,794,051
		11,138,157	10,958,555

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

Consolidated Statement of Financial Position

At March 31, 2019 (Expressed in Renminbi)

	Note	At March 31, 2019 RMB'000	2018 RMB'000 (Note)
Current liabilities			
Current income tax liabilities	11(d)	**462,551**	226,029
Interest-bearing borrowings	27	**1,627,720**	2,338,429
Trade and other payables	28	**2,699,661**	1,769,135
Payables due to related parties	36	**3,638**	3,769
Derivative financial liabilities	29	**2,289**	–
		4,795,859	4,337,362
Net current assets		**6,342,298**	6,621,193
Total assets less current liabilities		**10,286,845**	10,105,800
Non-current liabilities			
Deferred tax liabilities	19	**173,353**	217,638
Non-current other payables	30	**4,606**	105,394
		177,959	323,032
Net assets		**10,108,886**	9,782,768

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

Consolidated Statement of Financial Position

At March 31, 2019 (Expressed in Renminbi)

	Note	At March 31, 2019 RMB'000	2018 RMB'000 (Note)
Capital and reserves			
Share capital	32(c)	**803**	803
Reserves		**9,898,398**	9,594,990
Equity attributable to equity shareholders of the Company		**9,899,201**	9,595,793
Non-controlling interests		**209,685**	186,975
Total equity		**10,108,886**	9,782,768

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Approved and authorized for issue by the board of directors on June 26, 2019.

Gao Dekang
Chairman of the Board of Directors

Gao Xiaodong
Director

The notes on pages 99 to 193 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2019 (Expressed in Renminbi)

	Attributable to the equity shareholders of the Company										
	Share capital RMB'000 (note 32)	Share premium RMB'000	Treasury shares held for the Share Award Scheme RMB'000 (note 31(b))	Capital reserves RMB'000 (note 32(d))	Statutory reserves RMB'000 (note 32(d))	Translation reserves RMB'000 (note 32(d))	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at March 31, 2017	803	1,956,903	(99,160)	107,044	837,739	(623,925)	(36,991)	7,033,329	9,175,742	179,485	9,355,227
Total comprehensive income for the year:											
Profit for the year	–	–	–	–	–	–	–	615,478	615,478	24,043	639,521
Foreign currency translation differences – foreign operations	–	–	–	–	–	103,571	–	–	103,571	16	103,587
Net change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	–	–	(4,581)	–	(4,581)	217	(4,364)
Total comprehensive income for the year	–	–	–	–	–	103,571	(4,581)	615,478	714,468	24,276	738,744
Transactions with owners, recorded directly in equity:											
Equity settled share-based transactions (note 33)	–	–	–	26,676	–	–	–	–	26,676	–	26,676
Treasury shares held for Share Award Scheme (note 31(b))	–	–	(11,733)	(36,253)	–	–	–	–	(47,986)	–	(47,986)
Acquisition through a business combination	–	–	–	–	–	–	–	–	–	6,014	6,014
Appropriation to reserves	–	–	–	–	3,852	–	–	(3,852)	–	–	–
Written put option to non-controlling interests (note 29)	–	–	–	–	–	–	(97,932)	–	(97,932)	–	(97,932)
Dividends (note 32(b))	–	–	–	–	–	–	–	(175,175)	(175,175)	(22,800)	(197,975)
Balance at March 31, 2018	803	1,956,903	(110,893)	97,467	841,591	(520,354)	(139,504)	7,469,780	9,595,793	186,975	9,782,768

The notes on pages 99 to 193 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2019 (Expressed in Renminbi)

	Attributable to the equity shareholders of the Company										
	Share capital RMB'000 (note 32)	Share premium RMB'000	Treasury shares held for the Share Award Scheme RMB'000 (note 31(b))	Capital reserves RMB'000 (note 32(d))	Statutory reserves RMB'000 (note 32(d))	Translation reserves RMB'000 (note 32(d))	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at March 31, 2018 (Note)	803	1,956,903	(110,893)	97,467	841,591	(520,354)	(139,504)	7,469,780	9,595,793	186,975	9,782,768
Change in accounting policy (note 3)	–	–	–	–	–	–	3,886	(3,886)	–	–	–
Balance at April 1, 2018	803	1,956,903	(110,893)	97,467	841,591	(520,354)	(135,618)	7,465,894	9,595,793	186,975	9,782,768
Total comprehensive income for the year:											
Profit for the year	–	–	–	–	–	–	–	981,316	981,316	24,244	1,005,560
Foreign currency translation differences – foreign operations	–	–	–	–	–	(30,432)	–	–	(30,432)	(50)	(30,482)
Net change in fair value of other financial assets, net of tax (recycling)	–	–	–	–	–	–	7,687	–	7,687	(217)	7,470
Net change in fair value of equity investment at fair value through other comprehensive income, net of tax (non-recycling)	–	–	–	–	–	–	(27,506)	–	(27,506)	–	(27,506)
Total comprehensive income for the year	–	–	–	–	–	(30,432)	(19,819)	981,316	931,065	23,977	955,042
Transactions with owners, recorded directly in equity											
Equity settled share-based transactions (note 33)	–	4,454	–	43,081	–	–	–	–	47,535	–	47,535
New establishment of subsidiaries	–	–	–	–	–	–	–	–	–	20,945	20,945
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(12)	(12)
Treasury shares held for Share Award Scheme	–	–	34,030	(38,405)	–	–	–	–	(4,375)	–	(4,375)
Appropriation to statutory reserves	–	–	–	–	11,482	–	–	(11,482)	–	–	–
Written put option to non-controlling interests (note 29)	–	–	–	–	–	–	68,181	–	68,181	–	68,181
Dividends (note 32(b))	–	(428,544)	–	–	–	–	–	(310,454)	(738,998)	(22,200)	(761,198)
	–	(424,090)	34,030	4,676	11,482	–	68,181	(321,936)	(627,657)	(1,267)	(628,924)
Balance at March 31, 2019	803	1,532,813	(76,863)	102,143	853,073	(550,786)	(87,256)	8,125,274	9,899,201	209,685	10,108,886

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2019 (Expressed in Renminbi)

	For the year ended March 31, 2019 RMB'000	2018 RMB'000 (Note)
Operating activities		
Profit for the year	**1,005,560**	639,521
Adjustments for:		
Income tax expense	**388,918**	248,746
Depreciation	**170,092**	128,999
Amortization	**56,269**	66,491
Impairment losses	**43,000**	165,361
Equity settled share-based transactions	**43,939**	26,676
Change in fair value of derivative financial assets	**–**	3,388
Change in fair value of derivative financial liabilities	**2,289**	–
Dividend income from other financial assets	**(3,044)**	–
Net loss on disposal of property, plant and equipment	**12,122**	1,358
Net interest income	**(114,905)**	(25,225)
Operating profit before changes in working capital	**1,604,240**	1,255,315
(Increase)/decrease in inventories	**(476,290)**	72,855
Increase in trade and bills receivables and deposits, prepayments and other receivables	**(99,646)**	(176,692)
Decrease in non-current trade and other receivables	**–**	111,671
Decrease in receivables due from related parties	**21,891**	89,103
Decrease/(increase) in pledged bank deposit for bills payable and letter of credit facilities	**14,528**	(65,067)
Increase in trade and other payables	**804,102**	105,929
Decrease in payables due to related parties	**(131)**	(17,455)
Cash generated from operations	**1,868,694**	1,375,659
Interest paid	**(64,596)**	(94,932)
Income tax paid	**(294,659)**	(248,078)
Net cash generated from operating activities	**1,509,439**	1,032,649

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended March 31, 2019 (Expressed in Renminbi)

	For the year ended March 31, 2019 RMB'000	2018 RMB'000 (Note)
Investing activities		
Payments in relation to completion of acquisition of a subsidiary	**(40,000)**	–
Acquisition of subsidiaries, net of cash acquired	**–**	(20,716)
Acquisition of property, plant and equipment and lease prepayments	**(311,212)**	(116,756)
Acquisition of available-for-sale financial assets	**–**	(9,749,641)
Proceeds from disposal of available-for-sale financial assets	**–**	7,855,215
Acquisition of other financial assets	**(15,048,174)**	–
Proceeds from disposal of other financial assets	**14,908,576**	–
Decrease/(increase) in time deposits with maturity over 3 months	**48,709**	(5,111)
Dividend income from other financial assets	**3,044**	–
Collection of advances to a fellow subsidiary of the non-controlling shareholder of a subsidiary (note 22)	**–**	75,936
Interest received	**186,274**	97,137
Net cash used in investing activities	**(252,783)**	(1,863,936)
Financing activities		
Proceeds from interest-bearing borrowings	**1,250,239**	1,123,350
Repayment of interest-bearing borrowings	**(2,050,203)**	(1,645,769)
Decrease in bank deposits pledged for bank loans	**11,805**	275,652
Decrease in bank deposits pledged for issuing standby letters of credit for bank loans	**198,939**	326,253
Payment for purchase of shares in connection with the Share Award Scheme	**(27,909)**	(64,694)
Dividends paid	**(738,998)**	(197,975)
Net cash used in financing activities	**(1,356,127)**	(183,183)
Net decrease in cash and cash equivalents	**(99,471)**	(1,014,470)
Cash and cash equivalents at the beginning of the year	**1,794,051**	2,834,989
Effect of foreign currency exchange rate changes	**59,687**	(26,468)
Cash and cash equivalents at the end of the year	**1,754,267**	1,794,051

Note: The Group has initially applied IFRS 15 and IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 99 to 193 form part of these financial statements.

1 GENERAL INFORMATION OF THE REPORTING ENTITY

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.

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out in note 4.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement

The consolidated financial statements for the year ended March 31, 2019 comprise the company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in debt and equity securities (see note 4(c)); and

– derivative financial instruments (see note 4(d)).

2 BASIS OF PREPARATION (continued)

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). These financial statements are presented in Renminbi ("RMB", the "presentation currency"). All financial information presented in RMB has been rounded to the nearest thousand except where otherwise stated. The functional currency of the Company is United States Dollars.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 5.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRS and amendments to IFRSs 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:

(i) IFRS 9, *Financial instruments*

(ii) IFRS 15, *Revenue from contracts with customers*

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS15.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

Under the transition methods chosen, the Group recognizes cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at April 1, 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognized for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

	At March 31, 2018 RMB'000	Impact on initial application of IFRS 9 (Note 3(b)) RMB'000	Impact on initial application of IFRS 15 (Note 3(c)) RMB'000	At April 1, 2018 RMB'000
Non-current assets				
– Other financial assets	–	244,171	–	244,171
Total non-current assets	–	244,171	–	244,171
Current assets				
– Other financial assets	–	4,269,683	–	4,269,683
– Available-for-sale financial assets	4,513,854	(4,513,854)	–	–
Total current assets	4,513,854	(244,171)	–	4,269,683
Trade and other payables				
– Contract liabilities	–	–	(176,736)	(176,736)
– Receipts in advance	(176,736)	–	176,736	–
Total current liabilities	(176,736)	–	–	(176,736)
Net current assets	4,337,118	(244,171)	–	4,092,947
Net assets	4,337,118	–	–	4,337,118

Further details of these changes are set out in sub-sections (b) and (c) of this note.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9, Financial instruments

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at April 1, 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarizes the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at April 1, 2018.

	RMB' 000
Retained earnings	
Transferred from fair value reserve relating to financial assets now measured at FVPL	(4,128)
Related tax	242
Net decrease in retained earnings at April 1, 2018	(3,886)
Fair value reserve	
Transferred to retained earnings relating to financial assets now measured at FVPL and increase in fair value reserve at April 1, 2018	4,128
Related tax	(242)
Net increase in fair value reserve at April 1, 2018	3,886

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categories financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognized in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets	Note	Original recognition under IAS 39	New classification under IFRS 9	Carrying amount at March 31, 2018 under IAS 39 RMB'000	Carrying amount at April 1, 2018 under IFRS 9 RMB'000
– Short-term investments with banks	(i)	Available-for-sale financial assets	Amortised cost	2,860,022	2,860,022
– Short-term investments with banks	(ii)	Available-for-sale financial assets	FVPL	61,029	61,029
– Listed equity investments	(iii)	Available-for-sale financial assets	FVOCI (non-recycling)	244,171	244,171
– Listed equity investments	(iv)	Available-for-sale financial assets	FVPL	102,336	102,336
– Listed debt investments	(v)	Available-for-sale financial assets	FVOCI (recycling)	1,212,650	1,212,650
– Listed debt investments	(vi)	Available-for-sale financial assets	FVPL	33,646	33,646
Pledged bank deposits	(vii)	Held-to-maturity investments	Amortised cost	904,608	904,608
Time deposits with maturity over 3 months	(vii)	Held-to-maturity investments	Amortised cost	271,611	271,611
Cash and cash equivalents	(viii)	Loans and receivables	Amortised cost	1,794,051	1,794,051
Trade and other receivables	(viii)	Loans and receivables	Amortised cost	1,474,427	1,474,427
Total Financial assets				**8,958,551**	**8,958,551**

Notes:

(i) Short-term investments with banks with guarantee of principal and interest were previously classified as available-for-sale financial assets and are now classified as financial assets measured at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows by payments of principal and interest on the principal amount outstanding.

(ii) Short-term investments with banks with no guarantee of principal and interest were previously classified as available-for-sale financial assets and are now classified as financial assets measured at FVPL.

(iii) Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated as FVOCI by the Group. On April 1, 2018, the Group designated its 6.75% investment in Jinhong Fashion Group Co., Limited (formerly known as V-GRASS Fashion Co., Limited) (Shanghai Stock Exchange stock code: 603518) ("Jinhong Group") listed on the Shanghai Stock Exchange of RMB244,171,000 as FVOCI (non-recycling), as the investment is held as a long-term investment instead of being traded for short-term gains.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Notes: (continued)

(iv) Under IAS 39, certain equity securities were designated as available-for-sale financial assets. The Group has the option to irrevocably designate as FVOCI (non-recycling) on transition to IFRS 9. The Group does not plan to adopt this designation option for these equity securities investments held on April 1, 2018 and these assets have been classified as FVPL under IFRS 9.

(v) The listed debt investments categorized as available-for-sale financial assets under IAS 39 are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling investments. The contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets measured at FVOCI (recycling) under IFRS 9.

(vi) Perpetual bonds, categorized as available-for-sale financial assets under IAS 39 are held by the Group to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. As these listed debt investments failed to meet the criteria of solely payments of principal and interest, these assets have been classified as financial assets measured at FVPL under IFRS 9.

(vii) Pledged bank deposits and time deposits with maturity over 3 months were previously classified as held-to-maturity investments and are now classified as financial assets measured at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows by payments of principal and interest on the principal amount outstanding.

(viii) Cash and cash equivalents and trade and other receivables that were previously classified as loans and receivables are now classified as financial assets measured at amortized cost. The Group intends to hold the financial assets to maturity to collect contractual cash flows.

For an explanation of how the Group classifies and measures financial assets and recognizes related gains and losses under IFRS 9, refer to the respective accounting policy notes in notes 3(b)(i).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at April 1, 2018.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9, Financial instruments (continued)

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortized cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

- debt securities measured at FVOCI (recycling).

Financial assets measure at fair value, including equity investments designated as FVOCI (non-recycling), are not subject to the ECL assessment.

For further details on the Group's accounting policy for accounting for credit losses, see note 4(i).

Opening balance adjustment

As a result of this change in accounting policy, the Group has not recognized any additional ECLs at April 1, 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for the year ended March 31, 2018 continues to be reported under IAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of IFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group's business model is not complex and its contracts with customers for the sale of branded apparels include only a single performance obligation. The Group has concluded that revenue from sales of branded apparels should be recognized at the point of time when a customer obtains control of goods. The Group has concluded that the initial application of IFRS 15 does not have a significant impact on the Group's revenue recognition.

Under IFRS 15, a contract liability, rather than a payable, is recognized when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognizes the related revenue. To reflect this change in presentation, contract liabilities, including receipts in advance from customers, are now separately presented under trade and other payables and reclassification adjustments of RMB176,736,000 have been made to the opening balance at April 1, 2018, as a result of the adoption of IFRS 15. Comparative information is not restated.

(d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the consolidated financial position and the consolidated financial result of the Group.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 4(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment losses (see note 4(i)(ii)).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 4(i)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 34(f). These investments are subsequently accounted for as follows, depending on their classification:

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Other investments in debt and equity securities (continued)

(A) Policy applicable from April 1, 2018

Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

– Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 4(v)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the accounting policy set out in note 4(s)(v).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Other investments in debt and equity securities (continued)

(B) Policy applicable prior to April 1, 2018

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in note 4(v).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortized cost less impairment losses (see note 4(i) – policy applicable prior to April 1, 2018).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Interest income from debt securities calculated using the effective interest method are recognized in profit or loss in accordance with the policies set out in notes 4(v). Foreign exchange gains and losses resulting from changes in the amortized cost of debt securities are also recognized in profit or loss.

When the investments are derecognized or impaired (see note 4(i) – policy applicable prior to April 1, 2018), the cumulative gain or loss recognized in equity is reclassified to profit or loss. Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(d) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on the remeasurement to fair value is recognized immediately in profit or loss.

(e) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are measured at cost less accumulated depreciation and impairment losses (see note 4(i)(ii)). Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of 20 to 60 years. Depreciation methods, useful lives and residual values are re-assessed at the end of each reporting period and adjusted if appropriate. Rental income from investment properties is accounted for as described in note 4(s)(iv).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 4(i)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 4(u)). Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property remains measured at cost less accumulated depreciation and impairment losses (see note 4(i)(ii)).

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Freehold land with unlimited useful life is measured at cost and not depreciated.

Depreciation is recognized in profit or loss using the straight-line method over the estimated useful lives of each component of an item of property, plant and equipment.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

(iv) Depreciation (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Useful lives	Residual value
Land and buildings	20 – 50 years	0% ~ 10%
Machinery	5 – 10 years	4% ~ 10%
Motor vehicles and others	2 – 10 years	0% ~ 10%
Leasehold improvements	Over the shorter of the un-expired term of the lease and estimated useful lives	0%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(g) Intangible assets (other than goodwill)

(i) Customer relationships

Customer relationships acquired by the Group upon acquisition of subsidiaries are measured at fair value upon initial recognition. Subsequent to initial recognition, customer relationships are measured at cost less accumulated amortization and accumulated impairment losses (see note 4(i)(ii)). The estimated useful life of customer relationships is 3 to 15 years. The amortization method and useful lives are reviewed at the end of each reporting period.

(ii) Trademarks

Separately acquired trademarks are carried at cost less accumulated amortization and accumulated impairment losses (see note 4(i)(ii)). Trademarks acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and accumulated impairment losses. Amortization of trademarks that have definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademarks over their estimated useful lives of 10 to 20 years. The amortization method and useful lives are reviewed at the end of each reporting period.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and trademarks, is recognized in profit or loss as incurred.

(iv) Amortization

Except for goodwill, intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Lease prepayments

Lease prepayments represent prepayments of land use rights paid to the various PRC land bureaus. Lease prepayments are carried at cost less amortization and accumulated impairment losses (see note 4(i)(ii)). Amortization is recognized in profit or loss on a straight-line basis over the period of the land use rights, which are 50 years from the respective dates that they are available for use.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from April 1, 2018

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, time deposits with maturity over 3 months, and trade and other receivables);

– debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof for fixed-rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade and bills receivables, the Group has measured the loss allowance as an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For deposits, prepayments and other receivables, cash and cash equivalents, pledged bank deposits, time deposits with maturity over 3 months and debt securities measured at FVOCI (recycling), the Group recognized a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group has concluded that there is no material impact for the initial application of the new impairment requirements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) (continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to April 1, 2018

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortized cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognized as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognized to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

– For available-for-sale investments, the cumulative loss that had been recognized in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognized in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

  Impairment losses recognized in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognized in other comprehensive income.

  Impairment losses recognized in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances were recognized in profit or loss.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- investment properties;
- lease prepayments;
- intangible assets;
- goodwill; and
- investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 4(i)(i) and (ii)).

Impairment losses recognized in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

(j) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of production or conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 4(s)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 4(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 4(v)).

(l) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 4(i)).

Bills receivable are derecognized if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to be recognized in the statement of financial position.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(i).

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(iii) Share-based payment transactions

The fair values of the selected current employee services received in exchange for the grant of the restricted share is recognized as an expense. The fair value is measured at grant date using the Asian option model, taking into account the terms and conditions upon which the restricted share is granted. The total amount to be expensed is determined by reference to the fair value of the granted share measured as of the grant date less the proceeds received from the employees, and records in the capital reserve until each unlocking date. The proceeds received from the employees is firstly recorded as other payables.

The fair value of share option granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the option is granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the option, the total estimated fair value of the option is spread over the vesting period, taking into account the probability that the option will vest.

During the vesting period, the number of restricted share and share option that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share option and restricted share that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's share. The equity amount is recognized in the capital reserve until either the share option or restricted share is exercised or released (when it is included in the amount recognized in share capital for the share issued) or the share option or restricted share expires or is forfeited or cancelled (when it is released directly to retained earnings) after the end of vesting period.

Share-based payment transactions in which the Company grants share to its subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

(iv) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax expense for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(r) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortization where appropriate, and the amount that would be determined in accordance with note 4(r)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer or more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sale of goods was recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

As a result of change in accounting policy, no adjustment has been made to opening balances as at April 1, 2018 (see note 3(c)).

(ii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

(iii) Royalty income

Royalties arising from the use by others of the Group's brands are recognized in profit or loss as other income on an accrual basis in accordance with the substance of the relevant agreements.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from listed equity investments is recognized when the shareholder's right to receive payment is established.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated to the respective functional currencies of Group entities at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve ("translation reserve").

On disposed of a foreign operation, the cumulative amount in the translation reserve relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized directly in other comprehensive income, and presented in the translation reserve in equity.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the costs of the qualifying assets commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets ready for their intended use or sale are interrupted or complete.

(v) Finance income and finance costs

The Group's finance income and finance costs include:

– interest income;

– interest expense;

– the net gain or loss on the disposal of investments in debt securities measured at FVOCI (recycling);

– the net gain or loss on financial assets at FVPL;

– the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognized using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5 ACCOUNTING JUDGMENT AND ESTIMATES

Sources of estimation uncertainty

Notes 11, 17, 21, 22, 23, 29 and 33 contain information about the assumptions and their risk factors relating to income tax, goodwill impairment, impairment for bad and doubtful debts, fair value of financial instruments and fair value of share options and restricted shares granted. Other key sources of estimation uncertainty are as follows:

(i) Net realizable value of inventories

The Group reviews the carrying amounts of inventories at each reporting date to determine whether the inventories are carried at lower of cost and net realizable value in accordance with the accounting policy set out in note 4(j). Management calculates the inventory provision based on the forecast net realizable value of sales of inventories. The forecast quantities to be sold and the corresponding selling prices are prepared based on the Group's sales and marketing strategies, the current market conditions, the historical experience of distributing and selling products of a similar nature and the aging information of the relevant inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's profit and net asset value.

(ii) Impairment for non-current assets

The management determines the impairment loss on non-current assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. Goodwill is tested annually for impairment. Management assesses impairment of goodwill by preparing discounted cash flow forecasts for each CGU to which goodwill has been allocated and comparing the net present value of the forecast cash flows with the carrying values of the related assets.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

6 REVENUE AND SEGMENT REPORTING

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 four major reportable segments. Certain operating segments have been aggregated to form the following reportable 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 products.
- Ladieswear apparels -The ladieswear apparel segment carries on the business of sourcing and distributing ladieswear products.
- Diversified apparels – The diversified apparel segment carries on the business of sourcing and distributing non-seasonal apparels, including branded menswear, underwear and casual wear.

(a) Disaggregation of revenue

Disaggregation of revenue from contract with customers by major products or service lines is as follows:

	For the year ended March 31, 2019 RMB'000
Revenue from contracts with customers within the scope of IFRS15	
Disaggregated by major products service lines	
– Sales of apparels	10,368,538
Revenue from other sources	
Gross rentals from investment properties	14,915
Consolidated revenue	10,383,453

6 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue (continued)

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	For the year ended March 31, 2019 RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:	
– Sales of apparels	**176,736**

(b) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Segment profit represents revenue less cost of sales, and includes selling and distribution expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated entertainment expenses and consulting expenses, finance income, finance costs, government grants, and unallocated head office and corporate expenses are not included in segment profit.

In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning amortization and impairment losses on intangible assets and goodwill.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

6 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment results (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended March 31, 2019 and 2018 is set out below.

	For the year ended March 31, 2019				
	Down apparels RMB'000	OEM management RMB'000	Ladieswear apparels RMB'000	Diversified apparels RMB'000	Group RMB'000
Disaggregated by timing of revenue recognition					
Point in time	7,657,505	1,368,226	1,201,831	155,891	10,383,453
Revenue from external customers	7,657,505	1,368,226	1,201,831	155,891	10,383,453
Inter-segment revenue	1,494	133	–	67,310	68,937
Reportable segment revenues	7,658,999	1,368,359	1,201,831	223,201	10,452,390
Reportable segment profit/(loss)	1,390,148	146,632	149,588	(108,617)	1,577,751
Amortization	(69)	–	(55,528)	(672)	(56,269)
Impairment losses on intangible assets and goodwill	–	–	(43,000)	–	(43,000)

	For the year ended March 31, 2018				
	Down apparels RMB'000 (note)	OEM management RMB'000 (note)	Ladieswear apparels RMB'000 (note)	Diversified apparels RMB'000 (note)	Group RMB'000 (note)
Revenue from external customers	5,651,021	936,807	1,153,506	1,139,458	8,880,792
Inter-segment revenue	2,105	2,441	77,858	63,651	146,055
Reportable segment revenues	5,653,126	939,248	1,231,364	1,203,109	9,026,847
Reportable segment profit/(loss)	948,256	99,701	184,417	(7,431)	1,224,943
Amortization	(70)	–	(53,928)	(12,493)	(66,491)
Impairment losses on intangible assets and goodwill	–	–	–	(165,361)	(165,361)

Note: The Group has initially applied IFRS 15 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

6 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment results (continued)

As at March 31, 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB239,344,000.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as above that had an original expected duration of one year or less.

(c) Reconciliations of reportable segment revenues, profit before income tax

	For the year ended March 31, 2019 RMB' 000	2018 RMB' 000
Revenue		
Reportable segment revenues	**10,452,390**	9,026,847
Elimination of inter-segment revenue	**(68,937)**	(146,055)
Consolidated revenue	**10,383,453**	8,880,792

	For the year ended March 31, 2019 RMB' 000	2018 RMB' 000
Profit before income tax		
Reportable segment profit	**1,577,751**	1,224,943
Amortization expenses	**(56,269)**	(66,491)
Government grants	**84,177**	56,801
Impairment losses	**(43,000)**	(165,361)
Unallocated expenses	**(191,894)**	(126,482)
Finance income	**186,537**	120,157
Finance costs	**(162,824)**	(155,300)
Consolidated profit before income tax	**1,394,478**	888,267

(d) Geographic information

Except for land and buildings and investment properties with the aggregate carrying amount of RMB253,376,000 (March 31, 2018: RMB258,875,000) located in the United Kingdom, all of the Group's property, plant and equipment and investment properties are located in mainland China at March 31, 2019.

The geographical location of an asset is based on the physical location of the asset, in the case of property, plant and equipment and investment property, and the location of the operation to which they are allocated, in the case of intangible assets.

For the year ended March 31, 2019, except for revenue of RMB10,189,000 derived from the Group's European operation (2018: RMB3,498,000), all revenue is derived from the People's Republic of China ("PRC").

7 OTHER INCOME

	Note	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Royalty income	(i)	**3,585**	8,821
Government grants	(ii)	**84,177**	56,801
Dividend income	(iii)	**3,044**	–
Other income		**90,806**	65,622

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

(ii) The Group received unconditional discretionary grants amounting to RMB84,177,000 for the year ended March 31, 2019 (2018: RMB56,801,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

(iii) Dividend income arises from the Group's equity investment in Jinhong Group (note 23(b)) and Bosideng Fund (note 23(c)).

8 PERSONNEL EXPENSES

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**1,048,114**	769,397
Equity settled share-based payments (note 33(a))	**43,939**	26,676
Contributions to defined contribution plans	**101,360**	70,079
	1,193,413	866,152

Contributions made by the Group to pension funds are dealt with in profit or loss when incurred. The Group contributes to pension funds based on certain percentages of the average salary level according to the pension fund requirements of the various provinces in the PRC 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 other material obligation for the payment of retirement benefits other than the contributions described above.

9 EXPENSE BY NATURE

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

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Cost of inventories recognized as expenses included in cost of sales	**4,869,939**	4,761,690
Depreciation		
– Assets leased out under operating leases	**6,236**	5,808
– Other assets	**163,856**	123,191
Amortization of intangible assets and lease prepayments	**56,269**	66,491
Impairment loss of goodwill	**43,000**	165,361
Operating lease charges		
– Fixed rental charges	**189,535**	140,568
– Contingent rental charges	**1,043,600**	859,046
Provision for impairment of bad and doubtful debts	**9,993**	22,386
Auditors' remuneration	**5,300**	5,300

10 NET FINANCE INCOME/(COSTS)

	For the year ended March 31, 2019 RMB'000	2018 RMB'000 (Note)
Recognized in profit or loss:		
Interest income on bank deposits	**20,340**	15,021
Interest income on financial assets measured at amortized cost	**118,577**	–
Interest income on available-for-sale financial assets	**–**	105,136
Interest income on debt instruments classified at FVOCI (recycling)	**40,584**	–
Total interest income on financial assets not at fair value through profit or loss	**179,501**	120,157
Net foreign exchange gain	**7,036**	–
Finance income	**186,537**	120,157
Interest on interest-bearing borrowings	**(64,596)**	(94,932)
Investment loss of debt instruments classified at FVOCI (recycling)	**(69,134)**	–
Bank charges	**(16,711)**	(17,633)
Net loss on forward exchange contract	**(8,167)**	–
Changes in fair value of forward exchange contract	**–**	(3,388)
Changes in fair value of derivative financial liabilities (note 29)	**(2,289)**	–
Changes in fair value of other financial assets	**(1,927)**	–
Net foreign exchange loss	**–**	(38,154)
Others	**–**	(1,193)
Finance costs	**(162,824)**	(155,300)
Net finance income/(costs) recognized in profit or loss	**23,713**	(35,143)

Note: The Group has initially applied IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

11 INCOME TAX EXPENSE

(a) Income tax in profit or loss represents:

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Current tax expenses		
Provision for PRC income tax	**531,181**	293,366
Deferred tax benefit		
Origination and reversal of temporary differences (note 19(a))	**(142,263)**	(44,620)
	388,918	248,746

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

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

(iii) The provision includes provision for PRC income tax and provision for HK income tax. 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. Provision for HK income tax is calculated at Hong Kong Profits Tax rate 16.5% on the estimated assessable Hong Kong profits for the year.

For the year ended March 31, 2019, 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, and Jiangsu Bosideng Supply Chain Co., Ltd., an enterprise in the PRC, which provides services for procurement, production planning, order management, storage and logistics management, and services to group companies, and which were granted a preferential rate of 15% for high-tech enterprises for three years starting from 2016.

(iv) The Enterprise Income Tax Law ("EIT Law") and its relevant regulations impose a withholding tax at 10%. Deferred tax liabilities have been recognized for the retained earnings recorded in the books and accounts of the Group's PRC subsidiaries which management estimates will be distributed outside of the PRC within the foreseeable future.

11 INCOME TAX EXPENSE (continued)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Profit before income tax	**1,394,478**	888,267
Income tax at the applicable PRC income tax rate of 25%	**348,620**	222,067
Tax effect of unused tax losses not recognized, net of utilization	**(2,701)**	3,164
Non-deductible expenses	**22,011**	6,736
Effect of tax concessions of PRC operations	**(22,640)**	(18,179)
Effect of tax rate difference	**19,245**	(12,557)
Withholding tax on dividends to be appropriated from PRC subsidiaries to overseas companies	**20,855**	53,287
Others	**3,528**	(5,772)
Income tax expense	**388,918**	248,746

(c) Income tax recognized in other comprehensive income:

	For the year ended March 31,					
	2019			2018		
	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Foreign currency translation differences – foreign operations	**(30,482)**	**–**	**(30,482)**	103,587	–	103,587
Net change in fair value of other financial assets	**(29,205)**	**9,169**	**(20,036)**	751	(5,115)	(4,364)
Other comprehensive income	**(59,687)**	**9,169**	**(50,518)**	104,338	(5,115)	99,223

11 INCOME TAX EXPENSE (continued)

(d) Income tax payable in the consolidated statement of financial position represents:

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Balance at beginning of the year	226,029	172,785
Acquisition of a subsidiary	–	7,956
Provision for current income tax for the year	531,181	293,366
Payments during the year	(294,659)	(248,078)
Income tax payable at the end of the year	462,551	226,029

12 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed to section 38(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended March 31, 2019

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Contributions to defined Contribution Schemes RMB'000	Total RMB'000
Executive directors						
Gao Dekang	330	3,615	–	–	10	3,955
Mei Dong	330	3,000	–	–	108	3,438
Huang Qiaolian	330	1,200	–	5,321	10	6,861
Mak Yun Kuen (i)	330	2,162	6,673	4,611	16	13,792
Rui Jinsong	330	2,200	–	4,693	64	7,287
Gao Xiaodong	330	900	–	–	47	1,277
Independent non-executive directors						
Dong Binggen	330	–	–	–	–	330
Ngai Wai Fung	385	–	–	–	–	385
Wang Yao (ii)	–	–	–	–	–	–
Lian Jie (iii)	134	–	–	–	–	134
	2,829	13,077	6,673	14,625	255	37,459

(i) On April 17, 2019, Mr. Mak Yun Kuen resigned as an executive director, vice president and company secretary of the Company, effective from May 1, 2019.

(ii) During the year ended March 31, 2019 and 2018, Mr. Wang Yao, an independent non-executive director, waived a director's fee of approximately RMB330,000.

(iii) On August 27, 2018, Mr. Lian Jie retired as an independent non-executive director of the Company.

12 DIRECTORS' EMOLUMENTS (continued)

For the year ended March 31, 2018

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Contributions to defined Contribution Schemes RMB'000	Total RMB'000
Executive directors						
Gao Dekang	368	3,874	–	–	–	4,242
Mei Dong	293	2,695	–	–	90	3,078
Gao Miaoqin	95	691	–	719	–	1,505
Huang Qiaolian	293	1,225	–	719	–	2,237
Mak Yun Kuen	293	1,619	–	1,438	15	3,365
Rui Jinsong	293	1,935	–	1,438	51	3,717
Gao Xiaodong	293	997	58	–	18	1,366
Independent non-executive directors						
Dong Binggen	330	–	–	–	–	330
Wang Yao	–	–	–	–	–	–
Ngai Wai Fung	385	–	–	–	–	385
Lian Jie	330	–	–	–	–	330
	2,973	13,036	58	4,314	174	20,555

During the years ended March 31, 2019 and 2018, no amount was paid or payable by the Group to the directors or any of the other five highest paid individuals set out in note 13 below as an inducement to join or upon joining the Group or as compensation for loss of office.

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: five) are directors whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of the other two (2018: nil) individuals are listed as follows:

	For the year ended March 31,	
	2019	2018
	RMB'000	RMB'000
Salaries and other emoluments	**1,577**	–
Equity-settled share-based payments	**6,594**	–
Contributions to defined contribution schemes	**110**	–
	8,281	–

The emoluments of the two (2018: nil) individuals with the highest emoluments are within the following band:

	For the year ended March 31,	
	2019	2018
	Number of individuals	Number of individuals
RMB4,000,001 to RMB4,500,000	**2**	–

14 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended March 31, 2019 is based on the profit attributable to equity shareholders of the Company of RMB981,316,000 for the year ended March 31, 2019 (2018: RMB615,478,000) and the weighted average number of ordinary shares in issue during the year ended March 31, 2019, calculated as follows:

Weighted average number of ordinary shares:

	For the year ended March 31,	
	2019	2018
	'000	'000
Issued ordinary shares at April 1	**10,540,010**	10,584,160
Effect of treasury shares held for Share Award Scheme (note 31(b))	**(41,475)**	(42,057)
Effect of restricted shares exercised (note 33(b))	**34,563**	35,625
Effect of share options exercised (note 33(c))	**651**	–
Weighted average number of ordinary shares at March 31	**10,533,749**	10,577,728
Basic earnings per share (RMB cents)	**9.32**	5.82

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB981,316,000 (2018: RMB615,478,000) and the weighted average number of ordinary shares of 10,699,242,000 (2018: 10,619,692,000 shares), after adjusting for the effect of the Company's share-based payment arrangements (note 33), as follows:

Weighted average number of ordinary shares (diluted):

	2019	2018
	'000	'000
Weighted average number of ordinary shares (basic) at March 31	**10,533,749**	10,577,728
Effect of share-based payment arrangements	**165,493**	41,964
Weighted average number of ordinary shares (diluted) at March 31	**10,699,242**	10,619,692
Diluted earnings per share (RMB cents)	**9.17**	5.80

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 29) was anti-dilutive.

15 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RMB'000	Machinery RMB'000	Motor vehicles and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At March 31, 2017	693,936	41,041	283,896	260,705	3,869	1,283,447
Acquisition of a subsidiary through a business combination	55,049	3,440	4,632	7,711	13	70,845
Additions	–	3,411	20,891	51,457	38,102	113,861
Transfer	–	3,573	25,208	9,547	(29,057)	9,271
Disposal	–	(1,703)	(6,213)	(3,850)	(6,923)	(18,689)
Movement of exchange rate	4,146	–	(215)	–	–	3,931
At March 31, 2018	753,131	49,762	328,199	325,570	6,004	1,462,666
Additions	8,675	8,061	44,758	325,741	40,458	427,693
Transfer from construction in progress	79	964	3,142	2,929	(7,114)	–
Transfer to investment property	(115,706)	–	–	–	–	(115,706)
Disposal	(7,792)	(338)	(55,291)	(9,457)	–	(72,878)
Movement of exchange rate	2,140	–	263	–	–	2,403
At March 31, 2019	640,527	58,449	321,071	644,783	39,348	1,704,178
Accumulated depreciation:						
At March 31, 2017	(118,800)	(20,046)	(205,719)	(120,015)	–	(464,580)
Depreciation charged for the year	(30,872)	(3,375)	(24,777)	(64,167)	–	(123,191)
Disposal	–	1,412	5,439	3,833	–	10,684
Movement of exchange rate	(385)	–	114	–	–	(271)
At March 31, 2018	(150,057)	(22,009)	(224,943)	(180,349)	–	(577,358)
Depreciation charged for the year	(33,017)	(4,211)	(29,881)	(96,747)	–	(163,856)
Transfer to investment property	235	–	–	–	–	235
Disposal	3,184	151	48,358	9,063	–	60,756
Movement of exchange rate	(62)	–	(233)	–	–	(295)
At March 31, 2019	(179,717)	(26,069)	(206,699)	(268,033)	–	(680,518)
Net book value:						
At March 31, 2019	460,810	32,380	114,372	376,750	39,348	1,023,660
At March 31, 2018	603,074	27,753	103,256	145,221	6,004	885,308

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Except for freehold land and buildings with the carrying amount of RMB48,399,000 (March 31, 2018: RMB158,889,000) which were located in the United Kingdom, all other buildings were located in mainland China at March 31, 2019. The properties located in the United Kingdom were acquired by the Group in June 2011.

As at March 31, 2019, no interest expense was capitalized as there were no material borrowing costs directly attributable to the acquisition of qualifying assets.

During the year ended March 31, 2019, the properties located in the United Kingdom of GBP12,855,000 (equivalent of RMB115,706,000) were reclassified from property, plant and equipment to investment property because of the use of the properties has changed.

16 LEASE PREPAYMENTS

	At March 31, 2019 RMB'000	2018 RMB'000
Cost:		
At April 1	**62,252**	35,770
Additions	–	7,828
Acquisition through a business combination	–	18,654
At March 31	**62,252**	62,252
Accumulated amortization:		
At April 1	**(8,156)**	(5,636)
Amortization charge for the year	**(2,812)**	(2,520)
At March 31	**(10,968)**	(8,156)
Net book value:		
At March 31	**51,284**	54,096

Lease prepayments represent the cost of land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

17 INTANGIBLE ASSETS AND GOODWILL

	Goodwill RMB'000	Customer relationships RMB'000	Trademarks RMB'000	Total RMB'000
Cost:				
At March 31, 2017	1,302,190	635,602	407,745	2,345,537
Acquisition through a business combination	405,961	13,220	226,050	645,231
At March 31, 2018 and 2019	1,708,151	648,822	633,795	2,990,768
Amortization and impairment losses:				
At March 31, 2017	(321,274)	(481,936)	(61,510)	(864,720)
Amortization charge for the year	–	(33,223)	(30,748)	(63,971)
Impairment losses	(92,467)	(72,894)	–	(165,361)
At March 31, 2018	(413,741)	(588,053)	(92,258)	(1,094,052)
Amortization charge for the year	–	(21,768)	(31,689)	(53,457)
Impairment losses	(43,000)	–	–	(43,000)
At March 31, 2019	(456,741)	(609,821)	(123,947)	(1,190,509)
Net book value:				
At March 31, 2019	1,251,410	39,001	509,848	1,800,259
At March 31, 2018	1,294,410	60,769	541,537	1,896,716

The amortization of customer relationships and trademarks charge for the year is included in "selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income.

17 INTANGIBLE ASSETS AND GOODWILL (continued)

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amount of goodwill allocated to each cash generating unit (CGU) is as follows:

	At March 31, 2019 RMB'000	2018 RMB'000
Gross value		
Menswear	**292,741**	292,741
Ladieswear – Jessie brand	**484,312**	484,312
Ladieswear – Buou Buou brand	**525,137**	525,137
Ladieswear – Tianjin Ladieswear	**405,961**	405,961
	1,708,151	1,708,151
Accumulated impairment losses		
Menswear	**(292,741)**	(292,741)
Ladieswear – Jessie brand	**(121,000)**	(121,000)
Ladieswear – Buou Buou brand	**(43,000)**	–
Ladieswear – Tianjin Ladieswear	**–**	–
	(456,741)	(413,741)
Net value		
Menswear	**–**	–
Ladieswear – Jessie brand	**363,312**	363,312
Ladieswear – Buou Buou brand	**482,137**	525,137
Ladieswear – Tianjin Ladieswear	**405,961**	405,961
	1,251,410	1,294,410

17 INTANGIBLE ASSETS AND GOODWILL (continued)

Impairment testing for cash-generating unit containing goodwill (continued)

The recoverable amounts of each of the above CGUs were estimated based on the value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The value in use calculation uses cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate of 3%. The discount rate used is the CGU's specific weighted average cost of capital, adjusted for a risk premium to reflect specific risks relating to the CGU. The estimate of value in use of Jessie brand Ladieswear CGU, Buou Buou brand Ladieswear CGU and Tianjin Ladieswear CGU was determined using a discount rate with a range from 17% to 24%.

For the year ended March 31, 2019, the business of Buou Buou brand ladieswear CGU was under performance. Based on the assessment using discounted cashflow forecast method, the recoverable amount was RMB727,895,000, which was RMB43,000,000 lower than the carrying amount. Therefore, an impairment loss of RMB43,000,000 were recognized in profit or loss. The impairment losses were fully allocated to goodwill.

18 INVESTMENT PROPERTIES

	At March 31, 2019 RMB'000	2018 RMB'000
Cost:		
At April 1	**213,317**	210,791
Transfer from property, plant and equipment	**115,706**	–
Effect of movement in exchange rates	**(3,049)**	2,526
At March 31	**325,974**	213,317
Accumulated depreciation:		
At April 1	**(34,150)**	(28,177)
Transfer from property, plant and equipment	**(235)**	–
Charge for the year	**(6,236)**	(5,808)
Effect of movement in exchange rates	**27**	(165)
At March 31	**(40,594)**	(34,150)
Net book value:		
At March 31	**285,380**	179,167

18 INVESTMENT PROPERTIES (continued)

Investment properties comprise land and buildings that are leased to third parties. As at March 31, 2019, freehold investment properties of RMB211,012,000 (March 31, 2018: RMB99,986,000) represented land and buildings located in the United Kingdom and leasehold investment properties of RMB74,368,000 (March 31, 2018: RMB79,181,000) represented buildings located in mainland China. The Group leases out investment properties under operating leases. The leases carry rentals determined based on the lease contract with third parties for a period of typically five to eight years.

As at March 31, 2019, the aggregate fair value of the investment properties located in the United Kingdom was approximately GBP29,824,000 (equivalent of RMB262,158,000) (March 31, 2018: GBP14,688,000 (equivalent of RMB129,535,000)), which was based on the valuation performed by an independent professionally qualified valuer, on an open market, existing use basis. The aggregate fair value of the investment properties located in mainland China was approximately RMB115,195,000 (2018: RMB115,193,000), which was based on the valuation performed by an independent professionally qualified valuer, on an open market, existing use basis.

During the year ended March 31, 2019, rental income of RMB14,915,000 (2018: RMB6,708,000) was recognized in profit or loss.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At March 31,	
	2019	2018
	RMB' 000	RMB' 000
Within 1 year	**4,564**	3,123
After 1 year but within 5 years	**1,841**	1,764
After 5 years	**–**	–
	6,405	4,887

19 DEFERRED TAX ASSETS AND LIABILITIES

(a) The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movements during the years are as follows:

	Write down of inventory RMB'000	Provision for impairment loss for bad and doubtful debts RMB'000	Customer relationships and trademark RMB'000	Property, plant and equipment RMB'000	Withholding tax on dividends RMB'000	Unrealized profits arising from intra-group transactions RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At March 31, 2017	74,381	21,189	(124,973)	–	(92,916)	76,255	235,751	2,132	191,819
Acquisition through a business combination	74,476	–	(59,817)	(9,819)	–	–	15,056	462	20,358
Credited/(charged) to profit or loss	(24,110)	4,584	34,218	2,178	(45,000)	(28,685)	632	7,887	(48,296)
Credited/(charged) to OCI	–	–	–	–	–	–	–	(5,115)	(5,115)
Released upon distribution of dividends (note 11 (a)(iv))	–	–	–	–	92,916	–	–	–	92,916
At March 31, 2018	124,747	25,773	(150,572)	(7,641)	(45,000)	47,570	251,439	5,366	251,682
Credited/(charged) to profit or loss	6,179	5,638	13,364	841	(18,500)	30,208	57,492	2,041	97,263
Credited/(charged) to OCI	–	–	–	–	–	–	–	9,169	9,169
Released upon distribution of dividends (note 11 (a)(iv))	–	–	–	–	45,000	–	–	–	45,000
At March 31, 2019	130,926	31,411	(137,208)	(6,800)	(18,500)	77,778	308,931	16,576	403,114

(b) Reconciliation to the consolidated statement of financial position:

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Net deferred tax assets	576,467	469,320
Net deferred tax liabilities	(173,353)	(217,638)
	403,114	251,682

19 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(c) Deferred tax assets and liabilities not recognized

Deferred tax assets/(liabilities) have not been recognized in respect of the following items:

	At March 31, 2019 RMB'000	2018 RMB'000
Accumulated tax losses of subsidiaries	**151,564**	410,282
Retained earnings from PRC subsidiaries not expected to be distributed outside of the PRC in the foreseeable future	**(4,236,071)**	(3,278,293)

No deferred tax assets have been recognized in respect of the cumulative tax losses of certain subsidiaries of the Group as at March 31, 2019 which will expire from 2019 to 2023, as management consider that it is not probable that the entities concerned will generate sufficient future taxable profits against which the unused tax losses can be utilized. Under the PRC tax regulations, tax losses can be carried forward for five years after the year of loss.

Deferred tax liabilities in relation to withholding tax have not been recognized in respect of the above retained earnings from PRC subsidiaries as the Company controls the timing and amounts of distribution and does not expect to incur such liabilities in the foreseeable future.

20 INVENTORIES

	At March 31, 2019 RMB'000	2018 RMB'000
Raw materials	**510,380**	332,835
Work in progress	**17,838**	17,621
Finished goods	**1,402,912**	1,104,384
	1,931,130	1,454,840

As at March 31, 2019, inventories carried at net realizable value amounted to approximately RMB336,457,000 (2018: RMB263,657,000).

The analysis of the amount of inventories recognized in cost of sales and included in profit or loss is as follows:

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	**4,758,085**	4,681,663
Write down of inventories	**111,854**	80,027
	4,869,939	4,761,690

21 TRADE AND BILLS RECEIVABLES

	At March 31, 2019 RMB'000	2018 RMB'000
Trade receivables	**1,017,232**	981,722
Bills receivable	**151,128**	121,968
Less: loss allowance for doubtful debts	**(133,318)**	(123,325)
	1,035,042	980,365

The gross carrying amount of trade and bills receivables from contract with customers amounted to RMB1,167,722,000 as at March 31, 2019.

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

As at March 31, 2019, the Group endorsed certain bank acceptance bills totaling RMB193,504,000 (2018: RMB153,254,000) to suppliers for settling trade payables of the same amount on a full recourse basis. Among these, the Group has derecognized RMB124,895,000 (2018: RMB90,201,000) bills receivable and the payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance on bad and doubtful debts, is as follows:

	At March 31, 2019 RMB'000	2018 RMB'000
Within credit terms	**864,794**	822,378
1 to 3 months past due	**114,604**	136,616
Over 3 months but less than 6 months past due	**15,791**	20,949
Over 6 months but less than 12 months past due	**21,536**	388
Over 1 year past due	**18,317**	34
	1,035,042	980,365

Trade receivables and bills receivable are generally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and exposure to credit and currency risk related to trade, bills and other receivables are disclosed in note 34(a).

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At March 31,	
	2019	2018
	RMB'000	RMB'000
Deposits	**390,381**	205,677
Prepayments for materials and processing fee	**312,713**	344,430
Prepayments for rental and other service	**38,557**	13,249
	351,270	357,679
Third party other receivables:		
– VAT recoverable	**63,684**	68,357
– Advances to employees	**36,437**	43,812
– Receivables from a company controlled by the former controlling shareholder of Joy Smile Development Limited ("Joy Smile") and You Nuo (Tianjin) Clothing Limited ("You Nuo")	**13,398**	–
– Receivables from companies controlled by the former controlling shareholder of Buoubuou International Holdings Ltd.	**–**	60,829
– Advances to a company controlled by the non- controlling shareholder of a subsidiary, Jessie International Holdings Ltd.	**–**	22,200
– Amounts due from brokers (i)	**47,917**	56,009
– Interest receivable in relation to securities investment	**7,780**	14,553
– Others	**9,020**	9,376
	178,236	275,136
Total	**919,887**	838,492

(i) Amounts due from brokers mainly represented the amount receivable for sale of other financial assets not yet settled by the brokers (note 23 (c)).

23 OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	At March 31, 2019 RMB'000	2018 RMB'000 (Note)
Non-current			
Equity securities designated at FVOCI (non-recycling)	(b)	**207,497**	–
Current			
Financial assets measured at amortised cost	(a)	**2,705,873**	–
Debt instruments classified at FVOCI (recycling)	(c)	**678,624**	–
Financial assets classified at FVPL	(d)	**1,032,253**	–
		4,416,750	–
Available-for-sale financial assets			
– short-term investment with banks	(a)	**–**	2,921,051
– available-for-sale financial assets	(b)/(c)/(d)	**–**	1,592,803
		4,624,247	4,513,854

Note: The Group has initially applied IFRS 9 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

(a) Financial assets measured at amortized cost are principal guaranteed short-term investments with banks in the PRC, which were previously classified as available-for-sale financial assets. These investments have expected but not guaranteed returns, ranging from 2.25% to 4.60% (March 31, 2018: 2.65% to 6.70%) per annum.

During the year, the interest income of investments with banks of RMB118,577,000 (2018: RMB105,136,000) was recognized in finance income.

(b) On February 9, 2018, Shuo Ming De Investment Co., Ltd. ("Shuo Ming De"), a subsidiary of the Group, subscribed for 12,184,230 non-public issued shares of Jinhong Group for an amount of RMB224,921,000. The shares cannot be transferred within 12 months from the date of the stock listing. The Group designated its investment in Jinhong Group as FVOCI (non-recycling), as it is held as a long-term investment instead of being traded for short-term gains, which were previously classified as available-for-sale financial assets. Dividends of RMB1,925,000 were received on this investment during the year ended March 31, 2019.

During the year, the changes in fair value of these investments, after tax effect of RMB27,506,000 was recognized as a loss in other comprehensive income.

23 OTHER FINANCIAL ASSETS/AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(c) On March 30, 2017, Delight Kingdom Group Limited ("Delight Kingdom"), a subsidiary of the Group, entered into a framework agreement ("Framework Agreement") to subscribe for the participating shares corresponding to the Bosideng Industry Investment Fund S.P. ("Bosideng Fund"), a segregated portfolio established and operated by Cithara Global Multi-Strategy SPC ("Cithara") under the name of Bosideng Fund, for an amount of up to USD100 million pursuant to subscription agreements entered into between Delight Kingdom and Cithara. Bosideng Fund is 100% invested by Delight Kingdom.

Bosideng Fund is managed by Cithara with the objectives of capturing investment opportunities in projects relating to relevant sectors within the fashion and apparel industry and to the extent that cash assets of Bosideng Fund have not been fully invested in or committed for such investment projects, enhancing short-to-medium term investment income by investing the spare cash assets of Bosideng Fund on investment products with high liquidity and appreciation potential.

The Group classified debt instruments held by Bosideng Fund as FVOCI (recycling), which were previously classified as available-for-sale financial assets, as the investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling investments.

During the year, the interest income of these investments of RMB40,584,000 was recognized in finance income.

During the year, the changes in fair value of these investments of RMB7,470,000 was recognized as a gain in other comprehensive income.

The realized losses of these investments incurred during the year of RMB69,134,000 was recognized as a loss in finance expense.

(d) Financial assets classified as FVPL represent listed equity investments held by Bosideng Fund and short-term investments with banks.

(i) Listed equity investments

The listed equity investments held by Bosideng Fund were classified as FVPL, as the Group plans not to elect option to irrevocably designate as FVOCI (without recycling) under IFRS 9 and these investments have been classified as FVPL.

During the year, the changes in fair value of these investments of RMB13,574,000 was recognized as a loss in finance expense.

During the year, dividends of RMB1,119,000 were received.

(ii) Short-term investments with banks

Short-term investments with banks with no guarantee of principal and interest were classified as FVPL. During the year, the changes in fair value of these investments of RMB11,647,000 was recognized as a gain in finance income.

24 PLEDGED BANK DEPOSITS

Bank deposits are pledged to banks as security for the following activities:

	At March 31, 2019 RMB'000	2018 RMB'000
Standby letters of credit	**345,866**	544,805
Bank borrowings (note 27)	**266,450**	278,255
Bills payable and letter of credit facilities	**67,020**	81,548
	679,336	904,608

The pledged bank deposits will be released upon the settlement of the relevant bank borrowings, bills payable and letters of credit facilities.

25 TIME DEPOSITS WITH MATURITY OVER 3 MONTHS

The Group's time deposits of RMB222,902,000 (March 31, 2018: RMB271,611,000) as at March 31, 2019 were deposited in banks for a period of over three months.

26 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At March 31, 2019 RMB'000	2018 RMB'000
Cash at bank and on hand	**2,656,505**	2,970,270
Less: Pledged bank deposits	**(679,336)**	(904,608)
Time deposits with maturity over 3 months	**(222,902)**	(271,611)
Cash and cash equivalents	**1,754,267**	1,794,051

26 CASH AND CASH EQUIVALENTS (continued)

(a) Cash and cash equivalents comprise: (continued)

Cash at bank and on hand are denominated in:

	At March 31, 2019 RMB'000	2018 RMB'000
– RMB	**2,046,662**	2,445,218
– USD	**413,913**	503,830
– HKD	**182,724**	19,069
– GBP	**6,614**	1,779
– EUR	**1,465**	145
– KRW	**–**	19
– JPY	**5,127**	210
	2,656,505	2,970,270

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

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At March 31, 2019	2018
Bank loans and other borrowings at year beginning	**2,338,429**	2,984,882
Changes from financing cash flows:		
Proceeds from new bank loans	**1,250,239**	1,123,350
Repayment of bank loans	**(2,050,203)**	(1,645,769)
Total changes from financing cash flows	**(799,964)**	(522,419)
Exchange adjustments	**89,255**	(124,034)
Bank loans and other borrowings at year end	**1,627,720**	2,338,429

27 INTEREST-BEARING BORROWINGS

At March 31, 2019, the interest-bearing borrowings were repayable as follows:

	At March 31, 2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**1,627,720**	2,338,429

At March 31, 2019, the interest-bearing borrowings were secured as follows:

	At March 31, 2019 RMB'000	2018 RMB'000
Bank loans		
– Secured	**1,428,712**	2,338,429
– Unsecured	**199,008**	–
	1,627,720	2,338,429

Bank borrowings of RMB614,776,000 as at March 31, 2019 (March 31, 2018: RMB989,434,000) were secured by standby letters of credit, which are in turn partially secured by pledged deposits of RMB345,863,000 (March 31, 2018: RMB544,805,000).

Bank borrowings of RMB512,532,000 as at March 31, 2019 (March 31, 2018: RMB571,176,000) were partially secured by pledged bank deposits of RMB264,693,000 (March 31, 2018: RMB278,255,000) (note 24).

Bank borrowings of RMB301,404,000 as at March 31, 2019 (March 31, 2018: RMB777,819,000) were borrowed by Cithara on behalf of Bosideng Fund in accordance with the Framework Agreement (note 23(c)).

Further details of the Group's management of liquidity risk are set out in note 34(b).

28 TRADE AND OTHER PAYABLES

	At March 31, 2019 RMB'000	2018 RMB'000 (Note)
Trade payables	**549,237**	425,925
Bills payables	**666,486**	96,615
	1,215,723	522,540
Other payables and accrued expenses		
– Deposits from customers	**244,264**	176,584
– Receipts in advance (i)	**–**	176,736
– Contract liabilities (i)	**239,344**	–
– Construction payables	**138,234**	21,753
– Accrued advertising expenses	**34,983**	18,848
– Accrued payroll, welfare and bonus (iii)	**278,284**	268,815
– Cash-settled written put option (note 29)	**52,674**	120,855
– VAT payable	**140,061**	125,245
– Dividends payable	**5,000**	5,000
– Current portion of dividends payable to the former controlling shareholder of a subsidiary, Buoubuou International Holdings Ltd.	**57,281**	52,055
– Dividends payable to the former controlling shareholder of the subsidiaries, Joy Smile and You Nuo	**4,402**	36,371
– Advances from a company controlled by the former controlling shareholder of Buoubuou International Holdings Ltd.	**–**	27,131
– Payables in relation to unvested restricted shares (note 33(b))	**21,916**	13,994
– Amount due to Brokers (ii)	**131,191**	34,445
– Payables in relation to completion of acquisition of Tianjin Ladieswear	**–**	40,252
– Others	**136,304**	128,511
	2,699,661	1,769,135

Note: The Group has initially applied IFRS 15 at April 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

(i) As a result of the adoption of IFRS 15, receipt in advance are reclassified as contract liabilities.

(ii) Amounts due to brokers mainly represented the amount payable for buy-in of other financial assets not yet settled to the brokers (note 23 (c)).

28 TRADE AND OTHER PAYABLES (continued)

(iii) As at March 31, 2018, the accrued balance of sales performance bonus was RMB90,596,000, including RMB15,857,000 in non-current other payables (note 30), out of which RMB40,996,000 was paid during the year ended March 31, 2019. In order to better inspire and reward the staff in the future, the Group launched a new round of grant of share options (linked to future services and performance, see note 33). After communication with relevant staff, the remaining accrued balance of sales performance bonus of RMB49,600,000 for those relevant staff will not be paid and was therefore reversed during the year ended March 31, 2019.

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

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At March 31,	
	2019	2018
	RMB'000	RMB'000
Within 1 month	**1,076,675**	391,704
1 to 3 months	**139,048**	130,836
	1,215,723	522,540

29 DERIVATIVE FINANCIAL LIABILITIES

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 Group granted a written put option to Talent Shine International Limited, the non-controlling shareholder of Jessie, giving it the right to sell its entire 30% interest in Jessie after March 31, 2015 at a consideration which comprises cash and a variable number of shares of Bosideng. The consideration for exercising the put option depends on Jessie's adjusted net profit for the previous financial year and in total shall not exceed RMB900,000,000. The put option was not yet exercised by Talent Shine International Limited as at March 31, 2019.

As at March 31, 2019, the present value of the redemption price of the cash settled portion of the written put option of RMB52,674,000 was recorded as a current payable (2018: RMB120,855,000). The decrease of RMB68,181,000 during the year was recorded as a decrease of other reserves.

As at March 31, 2019, the fair value of the share settled portion of the written put option was RMB2,289,000 (2018: nil), and the loss on fair value change of RMB2,289,000 (note 10) was recognized in profit or loss (2018: nil).

30 NON-CURRENT OTHER PAYABLES

	At March 31, 2019 RMB'000	2018 RMB'000
Dividends payable to the former controlling shareholder of a subsidiary, Buoubuou International Holdings Ltd.	–	75,929
Payables in relation to equity settled share-based transactions (note 33(b))	**4,606**	13,608
Sales performance bonus accrual (note 28(iii))	–	15,857
	4,606	105,394

31 INVESTMENT IN SUBSIDIARIES

(a) Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
1. Enterprises established outside the PRC						
1) Down segment and OEM management						
Bosideng International Fashion Limited 波司登國際服飾有限公司	BVI	USD1	100%	100%	–	Retail sales of apparels and investment holding
Golden Progress Limited 金浩進有限公司	Hong Kong	HKD1	100%	–	100%	Investment holding
Delight Kingdom Group Limited 景勵集團有限公司	BVI	USD100	100%	–	100%	Investment holding
Cithara Global Multi-Strategy SPC – Bosideng Industry Investment Fund S.P.	Cayman Islands	Not applicable	100%	–	100%	Investment
Bosideng UK Limited 波司登(英國)有限公司	United Kingdom	GBP1	100%	–	100%	Sourcing and distribution of down apparels
Bosideng Retail Limited 波司登零售有限公司	United Kingdom	GBP8,000,000	100%	–	100%	Sourcing and distribution of down apparels
Rocawear (China) Limited 洛卡(中國)有限公司	Hong Kong	USD100	100%	–	100%	Investment holding

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
2) Ladieswear apparels						
Jessie International Holdings Limited 杰西國際控股有限公司	BVI	USD1	100%	–	100%	Investment holding
Joy Smile Development Limited 欣悦發展有限公司	BVI	USD2	100%	–	100%	Investment holding
Kandy E-Incorporation Limited 康德藝有限公司	Hong Kong	HKD1	100%	–	100%	Investment holding
Hongkong Bestmate Limited 香港美滿有限公司	Hong Kong	HKD10,000	70%	–	100%	Provision of service for brand design and development
Sunny Bright Global Investments Limited 朗輝環球投資有限公司	BVI	USD50,000	70%	–	70%	Investment holding
Talent Shine Limited 廸暉有限公司	Hong Kong	HKD10,000	70%	–	70%	Investment holding
Union Techwell Development Limited 聯得發展有限公司	BVI	USD50,000	91%	–	100%	Investment holding
HeYuan (Hongkong) Industrial Limited 和元(香港)實業有限公司	Hong Kong	HKD10,000	91%	–	100%	Investment holding
HeYuan (Hongkong) Fashion Design Limited 和元(香港)時裝設計有限公司	Hong Kong	RMB39,500,000	91%	–	100%	Provision of service for brand design and development
New Prosperous Trading Development Limited 新富貿易發展有限公司	BVI	USD50,000	91%	–	100%	Investment holding
BuouBuou International Holdings Limited 邦寶國際控股有限公司	BVI	USD60,000	91%	–	100%	Investment holding

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

	Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
3)	**Diversified apparels**						
	Ying Fai Int'l Investment Limited 盈輝國際投資有限公司	BVI	USD10,000	100%	–	100%	Investment holding
	Long Pacific (H.K.) Ltd. 長隆(香港)有限公司	Hong Kong	HKD1	100%	–	100%	Investment holding
2.	**Enterprises established in the PRC**						
1)	**Down segment and OEM management**						
	Bosideng International Fashion (China) Limited 波司登國際服飾(中國)有限公司	PRC	USD138,000,000	100%	–	100%	Sourcing and distribution of down apparels
	Bosideng Down Wear Limited 波司登羽絨服裝有限公司	PRC	USD80,000,000	100%	–	100%	Sourcing and distribution of down apparels
	Gaoyou Bosideng Fashion Co., Ltd. 高郵波司登服飾有限公司	PRC	RMB10,000,000	100%	–	100%	Sourcing and distribution of down apparels
	Jiangsu Bosideng Supply Chain Co. Ltd. 江蘇波司登供應鏈管理有限公司	PRC	RMB50,000,000	100%	–	100%	Providing of logistic and storage service
	Shanghai Bosideng Information Technology Co., Ltd. 上海波司登信息科技有限公司	PRC	RMB50,000,000	100%	–	100%	Network consulting and e-business of down and non-down apparels
	Shanghai Bosideng Clothing Design and Development Centre Co., Ltd. 上海波司登服裝設計開發中心有限公司	PRC	RMB2,000,000	100%	–	100%	Designing and distribution of down and non-down apparels
	Changshu Bosideng Advertising Co., Ltd. 常熟市波司登廣告有限責任公司	PRC	RMB10,000,000	100%	–	100%	Advertisement agency

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Xuezhongfei Enterprise Co., Ltd. 雪中飛實業有限公司	PRC	RMB500,000,000	100%	–	100%	Sourcing and distribution of down apparels
Bingjie Fashion Limited 冰潔服飾有限公司	PRC	USD68,000,000	100%	–	100%	Sourcing and distribution of down apparels
Jiangsu Bingjie Fashion Limited 江蘇冰潔時尚服飾有限公司	PRC	RMB9,000,000	70%	–	100%	Sourcing and distribution of down apparels
Kangbo Fashion Limited 康博服飾有限公司	PRC	USD85,000,000	100%	–	100%	Sourcing and distribution of down apparels
Shanghai Shuangyu Fashion Limited 上海雙羽服飾有限公司	PRC	USD68,000,000	100%	–	100%	Sourcing and distribution of down apparels
Shandong Bingfei Fashion Co. Ltd 山東冰飛服飾有限公司	PRC	RMB50,000,000	100%	–	100%	Sourcing and distribution of down apparels
Shanghai Bosideng Ricci Fashion Co., Ltd. 上海波司登瑞琦時裝有限公司	PRC	RMB20,000,000	100%	–	100%	Sourcing and distribution of down apparels
Rocawear (Shanghai) Fashion Co., Ltd. 洛卡薇爾（上海）服飾有限公司	PRC	USD10,000,000	100%	–	100%	Sourcing and distribution of down apparels
Shuomingde Investment Co., Ltd. 朔明德投資有限公司	PRC	RMB500,000,000	100%	–	100%	Investment holding
Changshu Bosideng Import and Export Co., Ltd. 常熟市波司登進出口有限公司	PRC	RMB5,000,000	100%	–	100%	Sourcing and distribution of OEM products
Jiangsu Bosideng Marketing Co., Ltd. 江蘇波司登營銷有限公司	PRC	RMB200,000,000	100%	–	100%	Distribution of down apparels

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shanghai Bosideng Trade Development Co., Ltd. 上海波司登商貿發展有限公司	PRC	RMB200,000,000	100%	–	100%	Distribution of down apparels
Shanghai Bosideng Electronic commerce Co., Ltd. 上海波司登電子商務有限公司	PRC	RMB28,000,000	100%	–	100%	E-commerce of down and non-down apparels
Shanghai Bosideng Clothing Trading Co., Ltd. 上海波司登服飾貿易有限公司	PRC	RMB50,000,000	100%	–	100%	Distribution of down apparels
Changchun Bosideng Xuezhongfei Trading Co., Ltd. 長春波雪貿易有限公司	PRC	RMB1,000,000	100%	–	100%	Distribution of down apparels
Tianjin Bosideng Trading Co., Ltd. 天津市波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Shijiazhuang Bosideng Trading Co., Ltd. 石家莊波司登貿易有限公司	PRC	RMB25,000,000	100%	–	100%	Distribution of down apparels
Taiyuan Bosideng Trading Co., Ltd. 太原市波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Liaoning Bosideng Trading Co., Ltd. 遼寧波司登貿易有限公司	PRC	RMB20,000,000	100%	–	100%	Distribution of down apparels
Beijing Bosideng Trading Co., Ltd. 北京市波司登貿易有限公司	PRC	RMB30,000,000	100%	–	100%	Distribution of down apparels
Dalian Bosideng Trading Co., Ltd. 大連波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Zhengzhou Bosideng Trading Co., Ltd. 鄭州波司登貿易有限公司	PRC	RMB550,000	100%	–	100%	Distribution of down apparels

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Xi'an Bosideng Trading Co., Ltd. 西安波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Chengdu Bosideng Trading Co., Ltd. 成都波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Lanzhou Bosideng Trading Co., Ltd. 蘭州波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Urumchi Bosideng Trading Co., Ltd. 烏魯木齊波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Chongqing Bosideng Trading Co., Ltd. 重慶波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Wuhan Bosideng Trading Co., Ltd. 武漢波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Hangzhou Bosideng Trading Co., Ltd. 杭州波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Nanchang Bosideng Trading Co., Ltd. 南昌波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Changsha Bosideng Trading Co., Ltd. 長沙波司登服飾貿易有限公司	PRC	RMB510,000	100%	–	100%	Distribution of down apparels
Xiangyang Bosideng Trading Co., Ltd. 襄陽波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Ji'nan Bosideng Trading Co., Ltd. 濟南波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Weifang Bosideng Trading Co., Ltd. 濰坊波司登貿易有限公司	PRC	RMB30,000,000	100%	–	100%	Distribution of down apparels
Qingdao Bosideng Trading Co., Ltd. 青島波司登貿易有限公司	PRC	RMB500,000	100%	–	100%	Distribution of down apparels
Harbin Bosideng Xuezhongfei Trading Co., Ltd. 哈爾濱波雪貿易有限公司	PRC	RMB1,000,000	100%	–	100%	Distribution of down apparels
Kunming Bosideng Trading Co., Ltd. 昆明波司登貿易有限公司	PRC	RMB1,000,000	100%	–	100%	Distribution of down apparels
Hohhot Bosideng Trading Co., Ltd. 呼和浩特市波司登商貿有限責任公司	PRC	RMB1,000,000	100%	–	100%	Distribution of down apparels
Jiangxi Bosideng Marketing Co., Ltd. 江西波司登營銷有限公司	PRC	RMB10,000,000	100%	–	100%	Distribution of down apparels
2) Ladieswear apparels						
Shenzhen Jessie Fashion Co., Ltd. 深圳市杰西服裝有限責任公司	PRC	RMB76,500,000	70%	–	100%	Sourcing and distribution of non-down apparels
Talent Shine Import & Export (Shenzhen) Co., Ltd. 迪輝達進出口(深圳)有限公司	PRC	HKD8,300,000	70%	–	100%	Sourcing and distribution of non-down apparels
Shenzhen Buoubuou Fashion Co., Ltd. 深圳邦寶時尚服飾有限公司	PRC	HKD26,000,000	91%	–	100%	Sourcing and distribution of non-down apparels
Shenzhen Weiyi Garment Processing Co., Ltd. 深圳市唯伊服裝加工有限公司	PRC	RMB3,000,000	91%	–	100%	Sourcing and distribution of non-down apparels

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shanghai Buoubuou Electronic Commerce Co., Ltd. 上海邦寶電子商務有限公司	PRC	RMB10,000,000	91%	–	100%	Sourcing and distribution of non-down apparels
Chongqing Buoubuou Garment Sales Co., Ltd. 重慶邦寶服裝銷售有限公司	PRC	RMB1,000,000	91%	–	100%	Sourcing and distribution of non-down apparels
You Nuo (Tianjin) Clothing Limited 優諾(天津)服裝有限公司	PRC	RMB30,000,000	100%	–	100%	Sourcing and distribution of non-down apparels
Klova (Tianjin) Clothing Limited 柯蘿芭(天津)服裝有限公司	PRC	RMB1,000,000	70%	–	100%	Sourcing and distribution of non-down apparels
Koreano (Tianjin) Clothing Limited 天津柯利亞諾時裝有限公司	PRC	RMB1,650,000	100%	–	100%	Sourcing and distribution of non-down apparels
Luhua (Tianjin) Clothing Limited 盧華(天津)服裝有限公司	PRC	USD4,000,000	100%	–	100%	Sourcing and distribution of non-down apparels
3) Diversified apparels						
Jiangsu Vetallo Garment Co., Ltd. 江蘇威德羅服飾有限公司	PRC	USD35,000,000	100%	–	100%	Sourcing and distribution of non-down apparels
Jiangsu Smart Garments Co., Ltd. 江蘇颯美特服飾有限公司	PRC	RMB20,000,000	70%	–	100%	Sourcing and distribution of non-down apparels
Shanghai Bingjie Fashion Co., Ltd. 上海冰潔時裝服飾有限公司	PRC	RMB10,000,000	70%	–	100%	Sourcing and distribution of non-down apparels
Shanghai Bosideng Kidswear Co., Ltd. 上海波司登兒童服飾有限公司	PRC	RMB14,000,000	70%	–	100%	Sourcing and distribution of non-down apparels
Shanghai Fanchun Network Technology Co., Ltd. 梵椿(上海)網路科技有限公司	PRC	RMB30,500,000	35.7%	–	51%	Sourcing and distribution of non-down apparels
Shanghai Pinmeng Kidswear Co., Ltd. 上海品萌兒童服飾有限公司	PRC	RMB30,000,000	35.7%	–	100%	Sourcing and distribution of non-down apparels
Zhejiang Shunchuang Technology Co., Ltd. 浙江順創科技有限公司	PRC	RMB3,050,000	35.7%	–	100%	Sourcing and distribution of non-down apparels

31 INVESTMENT IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Ningbo Hameng Network Technology Co., Ltd. 寧波哈萌網路科技有限公司	PRC	RMB4,750,000	35.7%	–	100%	Sourcing and distribution of non-down apparels
Jiangsu Snow-Flying Outdoor Co., Ltd. 江蘇雪中飛戶外用品有限公司	PRC	RMB16,900,000	100%	–	100%	Sourcing and distribution of non-down apparels

i) The English translation of the names of the companies registered in the PRC above is for reference only. The official names of these companies are in Chinese.

As at March 31, 2019 and 2018, none of the Group's subsidiaries have non-controlling interests that are material to the Group's consolidated financial statements.

(b) A trust for the share award scheme (the "Trust")

On September 23, 2011, the Company adopted a share award scheme (the "Share Award Scheme"), which is not subject to the provisions of Chapter 17 of the Listing Rules, to recognize and reward the contribution of certain eligible employees to the growth and development of the Group through an award of the Company's shares. The Share Award Scheme remains in force for a period commencing on September 23, 2011 and ended on March 31, 2018.

The Company has appointed a trustee for administration of the Share Award Scheme (the "Trustee"). The principal activity of the Trustee is administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees. Pursuant to the Share Award Scheme, the Company's shares will be purchased by the Trustee in the market out of cash contributed by the Company and held in the Trust for relevant employees until such shares are vested in the relevant beneficiary in accordance with the provisions of the Share Award Scheme at no cost. The total number of the Company's shares held by the Trustee under the Share Award Scheme will not exceed 10% of the total issued shares of the Company at any time.

As the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of the employees who have been awarded the shares of the Company (the "Awarded Shares") through their continued employment with the Group, the Group is required to consolidate the Trust.

As at March 31, 2019, the Company had contributed RMB86,245,000 (March 31, 2018: RMB86,245,000) to the Trust and the amount was recorded as "Investment in subsidiaries" in the Company's statement of financial position.

During the year ended March 31, 2019, the Trustee purchased 42,570,000 shares of the Company at a total cost (including related transaction costs) of RMB27,909,000. 49,530,000 shares were vested to the employees on August 6, 2018 and 33,720,000 shares were vested to the employees on March 5, 2019 (note 33(b)). As at March 31, 2019, total number of shares held by the Trustee was 103,310,000 (March 31, 2018: 142,550,000) at a total cost (including related transaction costs) of RMB76,863,000 (March 31, 2018: RMB110,893,000).

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital RMB'000 (note 32(c))	Share premium RMB'000 (note 32(e))	Capital reserves RMB'000 (note 32(d))	Translation reserves RMB'000 (note 32(d))	Retained earnings RMB'000	Total RMB'000
Balance at March 31, 2017	803	1,956,903	107,044	(691,523)	639,702	2,012,929
Changes in equity for the year:						
Loss for the year	–	–	–	–	(88,291)	(88,291)
Equity settled share-based transactions (note 33(a))	–	–	26,676	–	–	26,676
Foreign currency translation differences – foreign operations	–	–	–	(170,633)	–	(170,633)
Dividends (note 32(b))	–	–	–	–	(176,994)	(176,994)
Balance at March 31, 2018	803	1,956,903	133,720	(862,156)	374,417	1,603,687
Changes in equity for the year:						
Loss for the year	–	–	–	–	(53,810)	(53,810)
Equity settled share-based transactions (note 33(a))	–	4,454	43,081	–	–	47,535
Foreign currency translation differences – foreign operations	–	–	–	128,966	–	128,966
Dividends (note 32(b))	–	(428,544)	–	–	(320,607)	(749,151)
Balance at March 31, 2019	803	1,532,813	176,801	(733,190)	–	977,227

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Interim dividend declared and paid of HKD2.0 cents per ordinary share (2018: interim dividend declared and paid of HKD1.5 cents per ordinary share)	**189,150**	132,266
Final dividend proposed after the end of the reporting period of HKD6.0 cents per ordinary share (2018: HKD3.5 cents per ordinary share)	**562,764**	310,541
No special dividend proposed after the end of the reporting period (2018: HKD2.5 cents per ordinary share)	**–**	221,815
	751,914	664,622

The final dividend proposed after the end of the reporting period have not been recognized as a liability at the end of the reporting period.

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

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB3.5 cents per ordinary share (2018: final dividend of RMB0.5 cent per ordinary share)	**326,667**	44,728
Special dividend in respect of the previous financial year, approved and paid during the year, of RMB2.5 cents per ordinary share (2018: nil)	**233,334**	–
	560,001	44,728

Difference between the final dividend proposed and dividend paid was attributable to the exchange rate fluctuation of HKD against RMB.

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

Movements in the authorized and issued and fully paid share capital of the Company during the years are as follows:

	2019 No. of shares ('000)	2019 USD'000	2018 No. of shares ('000)	2018 USD'000
Authorized:				
Ordinary shares	20,000,000	200	20,000,000	200
RMB equivalent ('000)		1,556		1,556
Ordinary shares, issued and fully paid:				
At April 1 and March 31	10,688,456	107	10,682,560	107
RMB equivalent ('000)		803		803

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Company issued a total number of 5,896,000 new ordinary shares for the vested share options in this year (see note 33(c)(i)), including 3,896,000 shares on February 18, 2019 and 2,000,000 shares on February 20, 2019.

Authorized share capital

The Company was incorporated on July 10, 2006 with an authorized share capital of USD100, divided into 100 shares of par value of USD1.00 each. Through a series of changes in share capital, the authorized share capital is USD200,000 divided into 20,000,000,000 ordinary shares of USD0.00001 each after the completion of the Hong Kong Public Offering and the International Placing.

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Capital reserves

The capital reserves at March 31, 2019 and 2018 represent the value of employee services in respect of shares granted to employees.

(ii) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the entities now comprising the Group which are incorporated in the PRC. Transfers to the reserves were approved by the respective boards of directors.

(iii) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of the operations outside the PRC which are dealt with in accordance with the accounting policies as set out in note 4(t).

(iv) Other reserves

The other reserves comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired and change in the present value of the redemption price of the cash settled portion of the written put option.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognized in equity relating to cash flow hedges, less unaccrued proposed dividends.

During the year ended March 31, 2019, the Group's strategy, which was unchanged from 2018, was to maintain the adjusted net debt-to-capital ratio at the lower end of the range 10% to 30%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

The adjusted net debt-to-equity ratio as at March 31, 2019 and 2018 was as follows:

	Note	2019 RMB'000	2018 RMB'000
Current liabilities:			
Interest-bearing borrowings	27	**1,627,720**	2,338,429
Total debt		**1,627,720**	2,338,429
Add: Proposed dividends	32(b)	**562,764**	532,356
Less: Cash and cash equivalents	26	**(1,754,267)**	(1,794,051)
Adjusted net debt		**436,217**	1,076,734
Total equity		**10,108,886**	9,782,768
Less: Proposed dividends	32(b)	**(562,764)**	(532,356)
Adjusted capital		**9,546,122**	9,250,412
Adjusted net debt to-capital ratio		**5%**	12%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme and share award scheme

A share option scheme (the "Share Option Scheme") was conditionally approved by a resolution of the shareholders passed on September 10, 2007 and adopted by a resolution of the Board on September 15, 2007. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

On September 23, 2011, the Company adopted the Share Award Scheme, which is not subject to the provisions of Chapter 17 of the Listing Rules, to recognize and reward the contribution of certain eligible employees to the growth and development of the Group through an award of the Company's shares.

On August 5, 2016, the Company amended the Share Award Scheme so that (i) directors of the Company shall also be eligible to participate in the Share Award Scheme, subject to the terms of their service agreements or other agreements with the Company or any member of the Company; and (ii) the relevant scheme limits under the Share Award Scheme can be increased, with effect from that date.

At March 31, 2019, the Company had the following share-based payment arrangements.

33 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Restricted shares

(i) On August 5, 2016, the Group granted an aggregate number of 180,900,000 restricted shares to 66 selected persons who were directors and employees of the Group. The holders are entitled to purchase restricted shares at HKD0.33 per share.

These restricted shares vest for a period up to three years, with 40%, 30% and 30% of the shares to be vested each year. In addition to the service condition, there are other vesting conditions related to the employees' performance and the Group's performance for each of the three years ended March 31, 2017, 2018 and 2019 as well as the cumulative performance for the two years and three years ended March 31, 2018 and 2019, respectively. These restricted shares also have a lock-up period of 12 months from the dates of vesting. Employees are required to make the upfront payment of HKD0.33 per share, which shall be refunded if the restricted shares are not vested. As of March 31, 2019, payment for all restricted shares were received by the Group and such payments were recorded as current other payables amounting to RMB13,868,400.

Up to March 31, 2019, a number of 116,170,000 restricted shares were vested to 61 persons, and a number of 15,200,000 restricted shares for 5 persons were not vested due to unqualified performance or resignation. As at March 31, 2019, the remaining number of restricted shares outstanding was 49,530,000 shares.

(ii) On March 5, 2018, the Group granted an aggregate number of 80,600,000 restricted shares to 55 selected persons who were directors and employees of the Group. The holders are entitled to purchase restricted shares at HKD0.34 per share.

57,800,000 of these restricted shares vest for a period up to three years, with 40%, 30% and 30% of the shares to be vested each year. The remaining 22,800,000 restricted shares vest for a period up to two years, with 50% and 50% of the shares to be vested each year. In addition to the service condition, there are other vesting conditions related to the employees' performance and the Group's performance for each of the three years ending March 31, 2019, 2020 and 2021 as well as the cumulative performance for the two years and three years ending March 31, 2020 and 2021, respectively. These restricted shares also have a lock-up period of 12 months from the dates of vesting. Employees are required to make the upfront payment of HKD0.34 per share, which shall be refunded if the restricted shares are not vested. As of March 31, 2019, payment for all restricted shares were received by the Group and such payments were recorded as current other payables amounting to RMB17,713,000 and as non-current payables amounting to RMB4,606,000.

Up to March 31, 2019, a number of 33,720,000 restricted shares were vested and a number of 2,000,000 restricted shares were forfeited due to unqualified performance or resignation. As at March 31, 2019, the remaining number of restricted shares outstanding was 44,880,000.

33 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Share Options

(i) On August 5, 2016, the Group granted 180,900,000 share options to 66 selected persons who were directors and employees of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company. The exercise price is HKD0.71 per share.

These share options are valid for four years, and vest for a period up to three years, with 40%, 30% and 30% of the share options to be vested each year. In addition to the service condition, there are other vesting conditions related to the employees' performance and the Group's performance for each of the three years ended March 31, 2017, 2018 and 2019 as well as the cumulative performance for the two years and three years ended March 31, 2018 and 2019.

Up to March 31, 2019, a number of 115,570,000 share options were vested, including 5,896,000 share options, which were exercised by a director, Mak Yun Kuen, and 15,800,000 share options for 5 persons were not forfeited due to unqualified performance or resignation. As at March 31, 2019, the remaining number of share options outstanding was 49,530,000.

(ii) On March 5, 2018, the Group granted 80,600,000 share options to 55 selected persons who were directors and employees of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company. The exercise price is HKD0.69 per share.

These share options are valid for four years, and 57,800,000 of which vest for a period up to three years, with 40%, 30% and 30% of the share options to be vested each year, the remaining 22,800,000 vest for a period up to two years, with 50% and 50% of the share options to be vested each year. In addition to the service condition, there are other vesting conditions related to the employees' performance and the Group's performance for each of the three years ending March 31, 2019, 2020 and 2021 as well as the cumulative performance for the two years and three years ending March 31, 2020 and 2021.

Up to March 31, 2019, 33,720,000 share options were vested, and a number of 2,000,000 share options were forfeited due to unqualified performance or resignation during the year ended March 31, 2019. As at March 31, 2019, the remaining number of share options outstanding was 44,880,000.

(iii) On October 26, 2018, the board of directors of the Group resolved to grant 260,000,000 share options to eligible persons who were directors, senior management or employees of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company. The exercise price is HKD1.07 per share.

These share options are valid for ten years, with 30% of the share options to be vested evenly in 9 years commencing from 12 months after October 26, 2018, 30% to be vested evenly in 8 years commencing from 24 months after October 26, 2018, and the remaining 40% to be vested evenly 7 years commencing from 36 months after October 26, 2018, respectively. In addition to the service condition, there are other vesting conditions related to the employees' performance and the Group's performance for each of the 3 years ending March 31, 2019, 2020 and 2021.

No share options were forfeited during the year ended March 31, 2019. Up to March 31, 2019, no share options were vested, as the next vesting date is October 26, 2019. As at March 31, 2019, the remaining number of share options outstanding was 260,000,000.

33 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(d) Fair value of restricted shares and share options and assumptions

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. The estimate of the fair value of the restricted shares granted is measured based on an Asian option model. The discount of lack of marketability ("DLOM") during the lock-up period of the restricted shares is used as one of the key inputs into this model. The key inputs and assumptions used in the model are as follows:

Fair value of restricted shares granted on August 5, 2016 and assumptions

Fair value at grant date	HKD0.3013 ~ 0.3064
Share price at grant date	HKD0.71
Purchase price	HKD0.33
Expected DLOM (weighted average)	10.370% ~ 11.080%
Lock-up period	12 months
Expected dividend	3.660%
Risk-free interest rate (based on government bonds)	0.571% ~ 0.582%

Fair value of restricted shares granted on March 5, 2018 and assumptions

Fair value at grant date	HKD0.295 ~ 0.298
Share price at grant date	HKD0.68
Purchase price	HKD0.34
Expected DLOM (weighted average)	6.221% ~6.603%
Lock-up period	12 months
Expected dividend	2.94%
Risk-free interest rate (based on government bonds)	2.000% ~ 2.349%

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as one of the key inputs into this model. Expectations of early exercise and demission rate are incorporated into the binomial lattice model. The key inputs and assumptions used in the model are as follows:

33 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(d) Fair value of restricted shares and share options and assumptions (continued)

Fair value of share options granted on August 5, 2016 and assumptions

Fair value at grant date	HKD0.1656 ~ 0.1710
Share price at grant date	HKD0.71
Exercise price	HKD0.71
Expected volatility (weighted average)	40.097%
Expected life (weighted average)	4 years
Expected dividend	3.660%
Risk-free interest rate (based on government bonds)	0.577%

Fair value of share options granted on March 5, 2018 and assumptions

Fair value at grant date	HKD0.167 ~ 0.170
Share price at grant date	HKD0.68
Exercise price	HKD0.69
Expected volatility (weighted average)	38.36%
Expected life (weighted average)	4 years
Expected dividend	2.94%
Risk-free interest rate (based on government bonds)	1.61%

Fair value of share options granted on October 26, 2018 and assumptions

Fair value at grant date	HKD0.300 ~ 0.365
Share price at grant date	HKD1.07
Exercise price	HKD1.07
Expected volatility (weighted average)	45.31%
Expected life (weighted average)	10 years
Expected dividend	5.012%
Risk-free interest rate (based on government bonds)	2.395%

The expected volatility is based on the historic volatility (calculated based on the weighted average expected remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Both restricted shares and share options were granted under a service condition and certain non-market performance conditions. These conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the restricted shares and share option grants.

(e) Expense recognized in profit or loss

For details of the related employee benefit expenses, see note 8.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to business risks primarily arising from the weather conditions and competition.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and receivables due from related parties. The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits, deposits with banks, bills receivable and other financial assets is limited because the counterparties are banks, for which the Group considers to have low credit risk.

(i) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2.88% (2018: 4.52%) and 3.42% (2018: 4.83%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at March 31, 2019:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within credit term	**1.98%**	**882,251**	**17,457**
1 to 3 months past due	**4.94%**	**120,560**	**5,956**
Over 3 months but less than 6 months past due	**7.50%**	**17,072**	**1,281**
Over 6 months but less than 12 months past due	**45.93%**	**39,830**	**18,294**
Over 1 year past due	**83.14%**	**108,647**	**90,330**
		1,168,360	**133,318**

The credit risk exposure of the Group as at March 31, 2019 was mainly arising from the receivables from department stores and distributors.

Expected loss rates are based on historical actual loss experience. These rates are adjusted for factors that are specific to the debtors, and to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to April 1, 2018, an impairment loss was recognized only when there was objective evidence of impairment (see note 4(i)(i) – policy applicable prior to April 1, 2018). At March 31, 2018, trade receivables of RMB167,251,000 were determined to be impaired.

The aging analysis of trade debtors that were not considered to be impaired was as follows:

	For the year ended March 31, 2018 RMB'000
Neither past due nor impaired	822,378
1 to 3 months past due	98,811
Over 3 months but less than 6 months past due	15,196
Over 6 months but less than 12 months past due	20
Over 1 year past due	34
	114,061
	936,439

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(i) Trade receivables (continued)

Comparative information under IAS 39 (continued)

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	For the year ended March 31	
	2019	2018
	RMB' 000	RMB' 000
At April 1	**123,325**	102,123
Provision for impairment of bad and doubtful debts	**9,993**	22,386
Uncollectible amounts written off	–	(1,184)
At March 31	**133,318**	123,325

An increase in the gross carrying amount of the trade receivables contributed to the increase in the loss allowance during the year ended March 31, 2019.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group has no significant concentration of credit risk.

(ii) Other receivables

Credit risk in respect of other receivables is limited since the counterparties are of good reputation and their receivables are settled on a regular basis.

The Group measures loss allowances for other receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed there is no significant loss allowance recognized in accordance with IFRS 9 for other receivables as at March 31, 2019.

(iii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(iv) Other financial assets

Other financial assets are arranged with financial institutions with established credit ratings. Pursuant to the agreements with the financial institutions, there is limited credit risk on the principal amounts, as the majority of these are guaranteed by the financial institutions.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019 Contractual undiscounted cash flow					2018 Contractual undiscounted cash flow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at Mar-31 RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at Mar-31 RMB'000
The Group										
Interest-bearing borrowings	1,644,806	–	–	1,644,806	1,627,720	2,363,802	–	–	2,363,802	2,338,429
Trade and other payables	2,699,661	–	–	2,699,661	2,699,661	1,769,135	–	–	1,769,135	1,769,135
Payables due to related parties	3,638	–	–	3,638	3,638	3,769	–	–	3,769	3,769
Non-current other payables	–	4,855	–	4,855	4,606	–	108,607	–	108,607	105,394
	4,348,105	4,855	–	4,352,960	4,335,625	4,136,706	108,607	–	4,245,313	4,216,727

As shown in the above analysis, bank loans of the Group amounting to RMB1,627,720,000 were due to be repaid during the year ending March 31, 2020. The short-term liquidity risk inherent in this contractual maturity date is expected to be addressed after the end of the reporting period by obtaining new loan financing from new and existing lenders.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings at the end of the reporting period:

	2019		2018	
Variable rate borrowings	**Effective Interest rate**	**RMB'000**	Effective Interest rate	RMB'000
The Group				
Interest-bearing borrowings	**2.28%**	**(1,627,720)**	1.94%	(2,338,429)
		(1,627,720)		(2,338,429)

(ii) Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB15,762,000 (2018: decreased/increased by approximately RMB22,903,000). Other components of equity would not have been affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained earnings) is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB have to take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. The Group is exposed to currency risk primarily through bank deposits and interest-bearing borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars.

(i) Exposure to currency risk

The following table details the Group's major exposures at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)					
	2019			2018		
	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Japanese Yen RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Japanese Yen RMB'000
Bank deposits	247,244	53,688	5,127	231,502	18,680	210
Trade receivables	862	–	–	45,538	–	–
Prepayments for materials and service suppliers	56,959	3	–	56,077	3	–
Trade payables	135	–	–	(1,497)	–	–
Interest-bearing borrowings	–	(976,493)	(276,860)	(1,323)	(1,033,105)	(137,612)
	305,200	(922,802)	(271,733)	330,297	(1,014,422)	(137,402)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019 Increase/ (decrease) in foreign exchange rate %	2019 Effect on profit after tax and retained earnings RMB'000	2019 Effect on other components of equity RMB'000	2018 Increase/ (decrease) in foreign exchange rate %	2018 Effect on profit after tax and retained earnings RMB'000	2018 Effect on other components of equity RMB'000
Hong Kong Dollars	10%	(87,132)	–	10%	(96,633)	–
United States Dollars	10%	22,894	–	10%	24,821	–
Renminbi	10%	–	–	10%	–	–
Japanese Yen	10%	(27,173)	–	10%	(13,740)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

(e) Business risk

The Group's primary business is research, design and development, raw materials procurement, outsourced manufacturing, marketing and distribution of branded down apparel products, which experiences seasonal fluctuations. As such, the sales volumes and revenue in the second half of the financial year are normally substantially higher than those during the first half of the financial year. The Group's financial results are influenced by the weather conditions during the year and the rapidity with which designs are copied by competitors and reproduced at lower prices, as well as by the Group's ability to develop new designs that capture market demand, maintain an effective distribution network, manufacture sufficient quantities to meet cyclical sales, and manage an optimal level of inventories. Based on these factors, the Group may experience significant fluctuations in its future financial results.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group		Fair value measurements as at March 31, 2019 categorized into		
	Fair value at March 31, 2019 RMB'000	Significant observable inputs (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements				
Financial assets:				
Financial assets measured at amortised cost	2,705,873	–	2,705,873	–
Equity securities designated at FVOCI	207,497	207,497	–	–
Debt instruments classified as FVOCI	678,624	678,624	–	–
Financial assets classified as FVPL	1,032,253	48,071	984,182	–
Financial liabilities:				
Derivative financial liabilities (note 29)	2,289	–	–	2,289

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

The Group		Fair value measurements as at March 31, 2018 categorized into		
	Fair value at March 31, 2018 RMB'000	Significant observable inputs (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements				
Financial assets:				
Available-for-sale financial assets (note 23)	4,513,854	1,592,803	2,921,051	–
Derivative financial assets	–	–	–	–

Valuation techniques and inputs used in level 2 fair value measurements

The fair value of other financial assets (2018: available-for-sale financial assets) in Level 2 is determined by reference to quoted prices of instruments similar to the assets being valued, adjusted for factors unique to the assets being valued.

Information about level 3 fair value measurement

The fair value of derivative financial liabilities is determined by using appropriate valuation techniques with significant unobservable inputs.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at March 31, 2019 and 2018.

35 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at March 31, 2019 not provided for in the consolidated financial statements were as follows:

	At March 31, 2019 RMB'000	2018 RMB'000
Contracted for	**19,960**	11,769

The Company had no capital commitments outstanding at March 31, 2019 and 2018.

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	At March 31, 2019 RMB'000	2018 RMB'000
Within 1 year	**91,293**	64,935
After 1 year but within 5 years	**112,370**	82,145
Over 5 years	**–**	–
	203,663	147,080

The Group leases a number of warehouses, factory facilities, office premises and specialty shops under operating leases. The leases typically run for an initial period of between one and five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market 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 year, were RMB1,043,600,000 for the year ended March 31, 2019 (2018: RMB859,046,000).

(c) Contingent liabilities

As at March 31, 2019, the Group did not have any significant contingent liabilities.

36 RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of parties	Relationship
Bosideng Corporation 波司登股份有限公司	Effectively controlled by Mr. Gao Dekang and his family ("the Gao Family"), the controlling equity shareholders of the Group
Shandong Kangbo Property Co., Ltd. ("Shandong Kangbo Property") 山東康博置業有限公司("山東康博置業")	Effectively controlled by the Gao Family, the controlling equity shareholders of the Group
Shandong Kangbo Industrial Co., Ltd. ("Shandong Kangbo') 山東康博实業有限公司("山東康博")	Effectively controlled by the Gao Family, the controlling equity shareholders of the Group
Jiangsu Suyong International Trade Co., Ltd. ("Jiangsu Suyong") 江蘇蘇甬國際貿易有限公司("江蘇蘇甬")	Effectively controlled by the Gao Family, the controlling equity shareholders of the Group
Jiangsu Kangxin Garment Co., Ltd. ("Jiangsu Kangxin") 江蘇康欣制衣有限公司("江蘇康欣")	Effectively controlled by the Gao Family, the controlling equity shareholders of the Group
Zhongke Bosideng Nanotech Garment (Suzhou) Co., Ltd. ("Zhongke Bosideng") 中科波司登納米服飾(蘇州)有限公司("中科波司登")	Effectively controlled by the Gao Family, the controlling equity shareholders of the Group
Changshu Kangbo Landscaping Co., Ltd. ("Changshu Kangbo") 常熟市康博園林綠化有限公司("常熟康博")	Effectively controlled by the Gao Family, the controlling equity shareholders of the Group and one of the shareholders since April 1, 2014

36 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with fellow subsidiaries

	For the year ended March 31, 2019 RMB'000	2018 RMB'000
Purchase of raw materials		
Bosideng Corporation	**1,174**	759
Rental expenses for lease of properties		
Bosideng Corporation	**21,621**	12,780
Processing fee costs		
Bosideng Corporation	**1,034,312**	749,220
Shandong Kangbo	**56,463**	7,980
Jiangsu Kangxin	**16,065**	54,284
Total	**1,106,840**	811,484
Processing income		
Bosideng Corporation	**11,801**	7,848
Integrated service fees		
Bosideng Corporation	**8,242**	7,118
Jiangsu Suyong	**–**	38
Jiangsu Kangxin Garment Co., Ltd.	**–**	2
Changshu Kangbo Landscaping	**182**	16
Total	**8,424**	7,174

36 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	2019 RMB' 000	2018 RMB' 000
Other receivables due from:		
Bosideng Corporation	176,666	196,532
Shandong Kangbo	1,689	–
Jiangsu Kangxin	488	4,079
Jiangsu Suyong	–	123
Total receivables due from related parties	178,843	200,734
Other payables due to:		
Bosideng Corporation	3,355	3,236
Jiangsu Kangxin	192	–
Changshu Kangbo	91	–
Shandong Kangbo	–	512
Jiangsu Suyong	–	21
Total payables due to related parties	3,638	3,769

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At March 31, 2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**88**	376
Investment in and amount due from subsidiaries		**985,228**	1,195,656
		985,316	1,196,032
Current assets			
Trade, bills and other receivables		**41,583**	44,539
Dividends due from a subsidiary		**1,636,914**	1,528,637
Cash and cash equivalents		**275,744**	320,058
		1,954,241	1,893,234
Current liabilities			
Interest-bearing borrowings		**1,014,295**	1,269,156
Trade and other payables		**948,035**	216,423
		1,962,330	1,485,579
Net current (liabilities)/assets		**(8,089)**	407,655
Total assets less current liabilities		**977,227**	1,603,687
Net assets		**977,227**	1,603,687
Capital and reserves			
Share capital	32(c)	**803**	803
Reserves	32(d)	**976,424**	1,602,884
Total equity		**977,227**	1,603,687

38 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at March 31, 2019 to be Bosideng Holdings Group Co., Ltd., which is incorporated in the PRC.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after (unless specified)
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 10, *Consolidated financial statements* and IAS 28, *Investments in associates and joint ventures* "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of IFRS16 which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

Currently the Group does not have any lease which meet the criteria for classification as finance lease. The Group enters into the leases of certain investment properties as the lessor and others as the leasee.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019 (continued)

IFRS 16, Leases

Once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2019 and will not restate the comparative information. As disclosed in note 35(b), at March 31, 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB203,663,000, the majority of which is payable either between 1 and 5 years after the reporting date. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB197,193,000 and RMB189,269,000 respectively, after taking account the effects of discounting, as at April 1, 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement for the year ending March 31, 2020.

While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending September 30, 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gao Dekang (Chairman of the Board and Chief Executive Officer) (Notes 1 & 2)
Ms. Mei Dong
Ms. Huang Qiaolian
Mr. Rui Jinsong
Mr. Gao Xiaodong

Independent Non-executive Directors

Mr. Dong Binggen (Notes 1, 2 & 3)
Mr. Wang Yao (Notes 1, 2 & 3)
Dr. Ngai Wai Fung (Note 3)

COMPANY SECRETARY

Ms. Liang Shuang

AUTHORIZED REPRESENTATIVES

Mr. Gao Dekang
Ms. Liang Shuang

SHARE LISTING

Place of Listing
The Stock Exchange of Hong Kong Limited

STOCK CODE

3998

INVESTOR RELATIONS

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Tel: (852) 2866 6918
Fax: (852) 2866 6930

WEBSITES

http://company.bosideng.com
http://www.bosideng.com

INVESTOR RELATIONS CONSULTANT

iPR Ogilvy Ltd.

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5709, 57/F., The Center
99 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17 Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL LEGAL ADVISORS AS TO HONG KONG LAW

CFN Lawyers in association with Broad & Bright

AUDITOR

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

Agricultural Bank of China Limited, Changshu Sub-branch
Bank of China Limited, Changshu Sub-branch
China Construction Bank Corporation, Changshu Sub-branch
China Minsheng Banking Corp., Ltd., Suzhou Sub-branch
Standard Chartered Bank (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
Bank of Communications Co., Ltd., Hong Kong Branch

Notes:

(1) Members of Remuneration Committee, Mr. Wang Yao is the Chairman of the Committee

(2) Members of Nomination Committee, Mr. Gao Dekang is the Chairman of the Committee

(3) Members of Audit Committee, Dr. Ngai Wai Fung is the Chairman of the Committee

SHAREHOLDER INFORMATION

IMPORTANT DATES

Closure of Register of Members

August 21, 2019 to August 26, 2019
(for attending the Annual General Meeting) (both days inclusive)

September 3, 2019 to September 5, 2019
(for entitlement to the Final Dividend) (both days inclusive)

ANNUAL GENERAL MEETING

On or around August 26, 2019

DIVIDENDS

Final Dividend	:	HKD6.0 cents per ordinary share
Payable on	:	On or around September 20, 2019

Financial Year End

March 31

Board Lot

2,000 Shares


波司登
BOSIDENG