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波司登國際控股有限公司  
**Bosideng International Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 3998)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016**

**HIGHLIGHTS**

- Revenue increased by 0.1% to approximately RMB2,566.7 million.
- Gross profit margin increased by 3.3 percentage points to 39.4%.
- Operating profit margin increased by 4.9 percentage points to 10.1%.
- Profit attributable to equity shareholders of the Company increased by 20.3% to approximately RMB157.2 million.
- The Board declared payment of an interim dividend of HKD1.0 cent per ordinary share.

**INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Bosideng International Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended September 30, 2016, together with the unaudited comparative figures for the corresponding period in 2015. These interim financial statements have not been audited, but have been reviewed by the auditors, KPMG, and the audit committee of the Company.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2016 – unaudited

	<i>Note</i>	Six months ended September 30, 2016 <i>RMB'000</i>	Six months ended September 30, 2015 <i>RMB'000</i>
Revenue	4	2,566,663	2,563,746
Cost of sales		<u>(1,555,745)</u>	<u>(1,639,421)</u>
<b>Gross profit</b>		<b>1,010,918</b>	924,325
Other income	5	24,504	21,375
Selling and distribution expenses		(505,381)	(520,593)
Administrative expenses		(267,137)	(242,777)
Impairment losses on goodwill		–	(50,000)
Other expenses	5	<u>(3,392)</u>	<u>–</u>
<b>Profit from operations</b>		<b><u>259,512</u></b>	<b><u>132,330</u></b>
Finance income		77,623	99,773
Finance costs		<u>(140,725)</u>	<u>(55,753)</u>
<b>Net finance (cost)/income</b>	7	<b><u>(63,102)</u></b>	<b><u>44,020</u></b>
Share of (loss)/profit of an associate		<u>(4,443)</u>	<u>8,987</u>
<b>Profit before taxation</b>		<b>191,967</b>	185,337
Income tax expense	8	<u>(50,425)</u>	<u>(53,811)</u>
<b>Profit for the period</b>		<b><u>141,542</u></b>	<b><u>131,526</u></b>

	<i>Note</i>	<b>Six months ended September 30, 2016 RMB'000</b>	<b>Six months ended September 30, 2015 RMB'000</b>
<b>Other comprehensive income for the period:</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences			
– foreign operations		<u>(117,381)</u>	<u>(108,191)</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>(117,381)</u>	<u>(108,191)</u>
<b>Total comprehensive income for the period</b>		<u><u>24,161</u></u>	<u><u>23,335</u></u>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		157,177	130,699
Non-controlling interests		<u>(15,635)</u>	<u>827</u>
<b>Profit for the period</b>		<u><u>141,542</u></u>	<u><u>131,526</u></u>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		39,796	22,508
Non-controlling interests		<u>(15,635)</u>	<u>827</u>
<b>Total comprehensive income for the period</b>		<u><u>24,161</u></u>	<u><u>23,335</u></u>
<b>Earnings per share</b>			
– basic (RMB cents)	9	<u><u>1.91</u></u>	<u><u>1.64</u></u>
– diluted (RMB cents)		<u><u>1.91</u></u>	<u><u>1.63</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2016 – unaudited

	<i>Note</i>	At September 30, 2016 <i>RMB'000</i>	At March 31, 2016 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		910,535	927,246
Non-current receivables		92,892	90,759
Lease prepayments		36,930	37,375
Intangible assets and goodwill	10	1,456,936	759,638
Investment properties		184,128	194,480
Interest in an associate		–	237,013
Deferred tax assets		465,406	451,594
		<u>3,146,827</u>	<u>2,698,105</u>
<b>Current assets</b>			
Inventories	11	1,937,933	1,628,588
Trade, bills and other receivables	12	3,015,942	1,506,466
Receivables due from related parties		454,629	300,123
Derivative financial assets		11,657	–
Prepayments for materials and service suppliers		349,663	109,797
Available-for-sale financial assets		1,889,123	1,258,481
Pledged bank deposits		943,727	1,127,527
Time deposits with maturity over 3 months		132,200	503,100
Cash and cash equivalents		2,396,736	3,023,421
		<u>11,131,610</u>	<u>9,457,503</u>
<b>Current liabilities</b>			
Current income tax liabilities		190,788	126,041
Interest-bearing borrowings		4,297,673	3,393,915
Trade and other payables	13	1,644,058	1,025,370
Payables due to related parties		4,622	2,331
Derivative financial liabilities	14	109	3,219
		<u>6,137,250</u>	<u>4,550,876</u>
<b>Net current assets</b>		<u>4,994,360</u>	<u>4,906,627</u>
<b>Total assets less current liabilities</b>		<u>8,141,187</u>	<u>7,604,732</u>

	<i>Note</i>	At September 30, 2016 RMB'000	At March 31, 2016 RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		206,929	152,427
Non-current other payables		<u>147,515</u>	<u>–</u>
		<u>354,444</u>	<u>152,427</u>
<b>Net assets</b>		<u><b>7,786,743</b></u>	<u><b>7,452,305</b></u>
<b>Capital and reserves</b>			
Share capital		679	622
Reserves		<u>7,555,979</u>	<u>7,241,755</u>
<b>Equity attributable to equity shareholders of the Company</b>		<b>7,556,658</b>	<b>7,242,377</b>
<b>Non-controlling interests</b>		<u><b>230,085</b></u>	<u><b>209,928</b></u>
<b>Total equity</b>		<u><b>7,786,743</b></u>	<u><b>7,452,305</b></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 1 REPORTING ENTITY AND CORPORATE INFORMATION

Bosideng International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on July 10, 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the research, design and development, raw materials procurement, outsourced manufacturing, marketing and distribution of branded down apparel products, original equipment manufacturing (“OEM”) products and non-down apparel products in the People’s Republic of China (the “PRC”).

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

## 2 BASIS OF PREPARATION

The Company has a financial year end date of March 31. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“IASB”). It was authorized for issue on November 29, 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015/16 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016/17 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to understanding of the changes in the financial position and performance of the Group since the 2015/16 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The financial information relating to the financial year ended March 31, 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The 2015/16 annual financial statements are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated June 29, 2016.

### 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS1: Presentation of financial statement: Disclosure Initiative

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4 REVENUE AND SEGMENT INFORMATION

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

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

#### (a) Segment results

	For the six months ended September 30, 2016			
	Down apparels <i>RMB'000</i>	OEM management <i>RMB'000</i>	Non-down apparels <i>RMB'000</i>	Group <i>RMB'000</i>
Revenue from external customers	1,450,203	664,290	452,170	2,566,663
Inter-segment revenue	–	–	2,461	2,461
<b>Reportable segment revenues</b>	<b><u>1,450,203</u></b>	<b><u>664,290</u></b>	<b><u>454,631</u></b>	<b><u>2,569,124</u></b>
<b>Reportable segment profit from operations</b>	<b><u>177,464</u></b>	<b><u>86,322</u></b>	<b><u>45,326</u></b>	<b><u>309,112</u></b>
Depreciation	(45,753)	(86)	(15,530)	(61,369)
Share of loss of an associate	–	–	(4,443)	(4,443)





## 5 OTHER INCOME/(EXPENSES)

	<i>Note</i>	<b>Six months ended September 30, 2016 RMB'000</b>	Six months ended September 30, 2015 RMB'000
Royalty income	<i>(i)</i>	<b>4,626</b>	7,925
Government grants	<i>(ii)</i>	<b>5,642</b>	13,450
Remeasurement to fair value of pre-existing interest in acquiree		<u><b>14,236</b></u>	<u>–</u>
Other income		<u><b>24,504</b></u>	<u>21,375</u>
Other expense – Donations		<u><b>3,392</b></u>	<u>–</u>

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

(ii) The Group received unconditional discretionary grants amounting to RMB5,642,000 during the six months period ended September 30, 2016 (September 30, 2015: RMB13,450,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

## 6 EXPENSES BY NATURE

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

	<b>Six months ended September 30, 2016 RMB'000</b>	Six months ended September 30, 2015 RMB'000
Cost of inventories recognized as expenses included in cost of sales	<b>1,555,745</b>	1,639,421
Depreciation		
– Assets leased out under operating leases	<b>2,971</b>	2,998
– Other assets	<b>58,398</b>	57,524
Amortization	<b>20,651</b>	18,236
Operating lease charges	<b>69,305</b>	59,645
Provision for impairment of bad and doubtful debts	<b>6,751</b>	33,073

7 NET FINANCE (COST)/INCOME

	Six months ended September 30, 2016 RMB'000	Six months ended September 30, 2015 RMB'000
<b>Recognized in profit or loss:</b>		
Interest income on bank deposits	17,717	16,187
Interest income on available-for-sale financial assets	43,132	67,889
Interest income on other financial assets	<u>2,007</u>	<u>2,820</u>
Total interest income on financial assets not at fair value through profit or loss	62,856	86,896
Change in fair value of derivative financial assets	11,657	–
Change in fair value of derivative financial liabilities (note 14)	3,110	–
Net foreign exchange gain	<u>–</u>	<u>12,877</u>
Finance income	<u>77,623</u>	<u>99,773</u>
Interest on interest-bearing borrowings	(64,642)	(51,834)
Bank charges	(9,048)	(2,503)
Net foreign exchange loss	(67,035)	–
Change in fair value of derivative financial liabilities	<u>–</u>	<u>(1,416)</u>
Finance costs	<u>(140,725)</u>	<u>(55,753)</u>
Net finance (cost)/income recognized in profit or loss	<u><u>(63,102)</u></u>	<u><u>44,020</u></u>

8 INCOME TAX EXPENSE

Income tax in profit or loss represents:

	Six months ended September 30, 2016 RMB'000	Six months ended September 30, 2015 RMB'000
<b>Current tax expenses</b>		
Provision for PRC income tax	67,346	94,829
<b>Deferred tax benefit</b>		
Origination of temporary differences	<u>(16,921)</u>	<u>(41,018)</u>
	<u><u>50,425</u></u>	<u><u>53,811</u></u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No tax provision has been made for Bosideng America Inc., Bosideng UK Limited and Bosideng Retail Limited, as they do not have assessable profits subject to any income tax in the United States and the United Kingdom during the period.
- (iii) No tax provision has been made for Talent Shine Limited, Hong Kong Bestmate Limited, Bosideng International Fashion Limited, Long Pacific (H.K.) Ltd. and Rocawear (China) Limited, as they do not have assessable profits subject to Hong Kong Profits Tax during the period.
- (iv) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of each of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

For the six months ended September 30, 2016, the standard income tax rate for all domestic companies established in the PRC was 25%, except for Shanghai Bosideng Information Technology Co., Ltd., a software enterprise in the PRC, which was granted a tax holiday by the local tax bureau of tax-exemption for 2 years starting from January 1, 2012 and 50% reduction on the applicable income tax rates for 3 years starting from January 1, 2014 to December 31, 2016.

The effective tax rate for the six months ended September 30, 2016 was approximately 26.3%, higher than the standard PRC income tax rate of 25%, which was mainly attributable to the combined effect of non-deductible expenses, tax losses of certain subsidiaries of the Group not recognized as deferred tax assets and tax preferential rate enjoyed by the subsidiary mentioned above.

## **9 EARNINGS PER SHARE**

### **(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB157,177,000 (six months ended September 30, 2015: RMB130,699,000) and the weighted average number of ordinary shares of 8,247,318,000 (2015: 7,946,495,000 shares) in issue during the interim period.

### **(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB157,177,000 (six months ended September 30, 2015: RMB130,699,000) and the weighted average number of ordinary shares of 8,247,318,000 (2015: 7,996,498,000). The diluted earnings per share for the six months ended September 30, 2016 are the same as the basic earnings per share because the potential ordinary shares in respect of the written put option issued to the non-controlling equity shareholder of a subsidiary of the Group (note 14) was anti-dilutive.

## 10 INTANGIBLE ASSETS AND GOODWILL

	<b>Goodwill</b> <i>RMB'000</i>	<b>Customer relationships</b> <i>RMB'000</i>	<b>Trademarks</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost:</b>				
At April 1, 2016	<u>777,053</u>	<u>597,882</u>	<u>206,765</u>	<u>1,581,700</u>
Acquisition through a business combination	<u>473,804</u>	<u>37,720</u>	<u>205,980</u>	<u>717,504</u>
At September 30, 2016	<u>1,250,857</u>	<u>635,602</u>	<u>412,745</u>	<u>2,299,204</u>
<b>Amortization and impairment loss:</b>				
At April 1, 2016	(321,274)	(454,149)	(46,639)	(822,062)
Amortization charge for the period	<u>—</u>	<u>(13,195)</u>	<u>(7,011)</u>	<u>(20,206)</u>
At September 30, 2016	<u>(321,274)</u>	<u>(467,344)</u>	<u>(53,650)</u>	<u>(842,268)</u>
<b>Net book value:</b>				
At September 30, 2016	<u>929,583</u>	<u>168,258</u>	<u>359,095</u>	<u>1,456,936</u>
At March 31, 2016	<u>455,779</u>	<u>143,733</u>	<u>160,126</u>	<u>759,638</u>

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

## 11 INVENTORIES

	<b>At September 30, 2016</b> <i>RMB'000</i>	<b>At March 31, 2016</b> <i>RMB'000</i>
Raw materials	<b>425,086</b>	201,953
Work in progress	<b>62,643</b>	6,140
Finished goods	<u>1,450,204</u>	<u>1,420,495</u>
	<u><b>1,937,933</b></u>	<u>1,628,588</u>

## 12 TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2016 RMB'000	At March 31, 2016 RMB'000
Trade receivables	1,887,123	797,014
Bills receivable	6,225	127,858
Less: Allowance for doubtful debts	<u>(109,446)</u>	<u>(102,961)</u>
	<b>1,783,902</b>	821,911
Third party other receivables:		
• VAT recoverable	215,470	174,348
• Deposits	302,554	159,023
• Advances to employees	27,476	8,913
• Deposits in relation to the written put option	136,539	132,119
• Secured loans receivable	81,032	81,032
• Deposits in relation to a potential business combination	195,000	–
• Others	<u>273,969</u>	<u>129,120</u>
	<b><u>3,015,942</u></b>	<b><u>1,506,466</u></b>

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

To facilitate the negotiation on a potential business combination, a deposit of RMB195,000,000 was paid to the seller who is also one of the non-controlling shareholders of the Group's partially owned subsidiaries.

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

	At September 30, 2016 RMB'000	At March 31, 2016 RMB'000
Within credit terms	1,518,226	506,700
1 to 3 months past due	36,964	79,012
Over 3 months but less than 6 months past due	18,664	210,805
Over 6 months but less than 12 months past due	183,917	23,027
Over 1 year past due	<u>26,131</u>	<u>2,367</u>
	<b><u>1,783,902</u></b>	<b><u>821,911</u></b>

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

### 13 TRADE AND OTHER PAYABLES

	At September 30, 2016 RMB'000	At March 31, 2016 RMB'000
Trade payables	675,201	427,441
Other payables and accrued expenses		
• Deposits from customers	363,418	165,441
• Construction payables	3,280	5,102
• Accrued advertising expenses	4,619	1,054
• Accrued payroll and welfare	174,417	152,068
• Cash-settled written put option	80,832	80,832
• VAT payable	115,165	66,591
• Dividends payable	5,000	5,000
• Current portion of dividends payable to the former controlling shareholder of a newly acquired subsidiary	13,014	–
• Payables in relation to unvested shares	20,261	–
• Others	188,851	121,841
	<u>1,644,058</u>	<u>1,025,370</u>

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

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

	At September 30, 2016 RMB'000	At March 31, 2016 RMB'000
Within 1 month	626,801	252,530
1 to 3 months	48,400	174,911
	<u>675,201</u>	<u>427,441</u>

### 14 DERIVATIVE FINANCIAL LIABILITIES

On November 4, 2011, the Group obtained control of Talent Shine Limited and Sunny Bright Global Investments Limited (collectively known as “Ladieswear”) by acquiring 70% of the shares and voting interests of the Ladieswear business. Pursuant to the relevant sale and purchase agreement, the Group granted a written put option to Talent Shine International Limited, the non-controlling equity shareholder of Ladieswear, giving it the right to sell its entire 30% interest in Ladieswear 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 Ladieswear’s adjusted net profit for the previous financial year and in total shall not exceed RMB900,000,000. The put option remains outstanding and not yet exercised by Talent Shine International Limited.

As at September 30, 2016, the Group recorded the estimated present value of the redemption price of the cash settled portion of the written put option of RMB80,832,000 (March 31, 2016: RMB80,832,000) as a current payable.

As at September 30, 2016, the fair value of the share settled portion of the written put option amounted to RMB109,000 (March 31, 2016: RMB3,219,000), and was recorded as derivative financial liabilities with the fair value change of a gain of RMB3,110,000 being recognized in profit or loss.

## 15 DIVIDENDS

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

	<b>Six months ended September 30, 2016 RMB'000</b>	Six months ended September 30, 2015 RMB'000
Interim dividend declared and paid after the interim period of RMB0.9 cent per ordinary share (2015: interim dividend of nil cent per ordinary share)	<b><u>94,907</u></b>	<u>–</u>

The interim dividend has 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 years, approved and paid during the periods.

	<b>Six months ended September 30, 2016 RMB'000</b>	Six months ended September 30, 2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB2.2 cents per ordinary share (2015: final dividend of RMB0.8 cent per ordinary share)	<b><u>198,157</u></b>	<u>63,112</u>

## 16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On September 6, 2016, the Company entered into a subscription agreement with New Surplus pursuant to which New Surplus has conditionally agreed to subscribe and the Company has conditionally agreed to allot and issue an aggregate of 1,834,862,385 new shares at the subscription price of HKD0.93 per share in exchange for, and by waiving its rights to repayment of the shareholder loan. The subscription was approved by the independent shareholders of the Company on October 25, 2016 and completed on October 26, 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

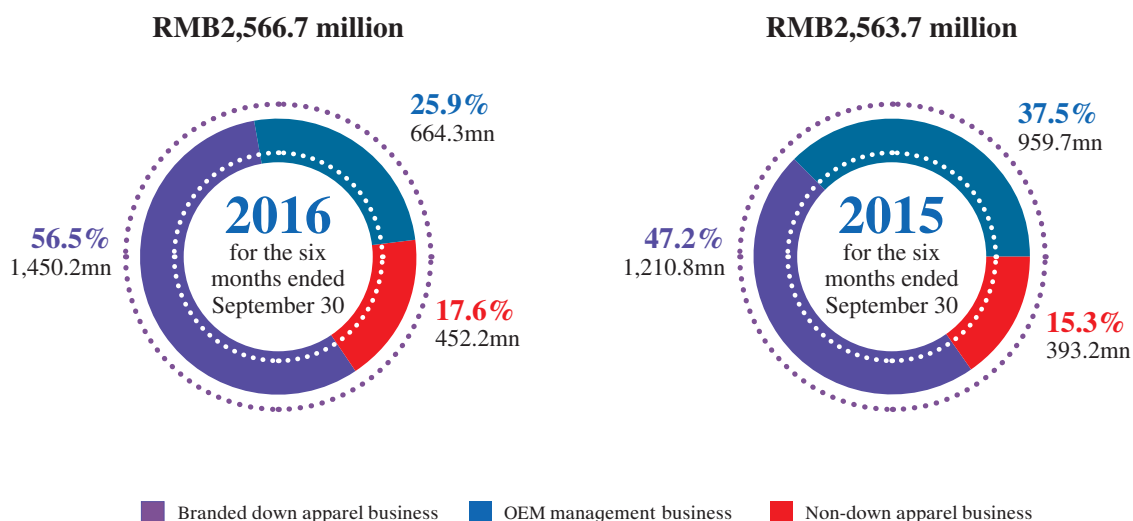
During 2016, uncertainties have remained in the macroeconomy of China. Overall consumption power and consumer sentiments lacked conspicuous growth momentum. The apparel industry in China continued to face tremendous challenges. However, in the past few years, most of the apparel companies have learnt the consequences of overexpansion of the industry in the past and taken proactive efforts to streamline and improve their businesses, including enhancing the efficiency of supply chain to avoid overcapacity and inventory clearance as well as shutting down underperforming stores and implementing prudent store opening strategies. All these are conducive to the long-term and healthy development of the industry. In addition, apparel companies also begin to focus on consumer experience, brand building and corporate image, thus laying a more solid foundation for their long-term development in the market. After years of exploring and adapting to marketisation, domestic apparel enterprises have gradually switched to a more matured business model rather than solely relying on production and wholesale. The Group is also gradually exploring the transition from the traditional business model that focuses on wholesale to a retail model that attaches greater importance to the needs of consumers, while accelerating its efforts to have quick response to market changes throughout the business operation, including branding, products, logistics and retail, so as to meet consumer expectations. This builds a more solid business foundation for future healthy and sustainable development.

### Revenue Analysis

During the period under review, overall revenue remained steady. Branded down apparel business continued to grow, whereas non-down apparel business increased due to the acquisition of BUOU BUOU ladieswear. These increases are sufficient to fill the gap arising from the downturn in the OEM management business due to reduction in orders' size. For the period ended September 30, 2016, revenue of the Group amounted to approximately RMB2,566.7 million, representing an increase of approximately 0.1% as compared to that for the corresponding period of last year. During the period under review, the branded down apparel business remained the biggest revenue contributor of the Group, accounting for 56.5% of the Group's revenue, with the remaining 25.9% and 17.6% derived from OEM management business and non-down apparel business, respectively. For the same period last year, the three business segments accounted for 47.2%, 37.5% and 15.3% of the Group's revenue, respectively.

Revenue from the branded down apparel business, OEM management business and non-down apparel business amounted to approximately RMB1,450.2 million, RMB664.3 million and RMB452.2 million for the period under review. Save that the revenue from OEM management business decreased by 30.8% as compared to that for the corresponding period of last year, branded down apparel business and non-down apparel business substantially increased by 19.8% and 15.0%, respectively.

### Revenue of the Group by Business





### *Branded Down Apparel Business:*

The first half of the year was a low season for the sales of down apparel products. During the period under review, the Group focused on off-season sales and made proactive preparations for the upcoming peak sales season. In the past two financial years, the Group endeavoured to clear inventory and adjust the sales network. During the period under review, the Group devoted relentless efforts in these two areas and actively maintained strict production and product planning to avoid unnecessary inventory. Nevertheless, at the same time, the Group also placed the emphasis of its core strategies on brand building and image optimisation so as to gradually increase consumers' awareness of its brands as well as to enhance its brand value and recognition.

During the period under review, the Group actively promoted brand innovation while optimising various business segments. Bosideng has changed its logo which has been used for many years. In terms of shape, the new logo retains and highlights the original wings pattern and the English name is enlarged to make the overall design more trendy, concise, clear and internationalised. The new logo enhances the aesthetics, while maintaining the old elements of Bosideng's logo. The change of logo represents an important milestone of the Group's brand reshaping and also symbolises the Group's determination to change its past thinking and brand image towards a market-oriented sales strategy, giving the brand a modern and trendy image.

In addition, with respect to products, the Group made a number of new attempts during the period under review and launched many new product series, bringing freshness to the market. With the opening of Disneyland in Shanghai this year, the Group captured the opportunities to work with The Walt Disney Company to introduce Bosideng x Disney down apparel products. The Bosideng x Disney series was officially launched in 42 major stores nationwide including Shanghai and Beijing and online on September 10, 2016 and was well received by the market. The series not only created a buzz for the brand and increased exposure, but also injected elements of youth, vitality and fashion into Bosideng brand via its cooperation with Disney.

Given the increasing consumer demand for high quality down apparel products, the Group introduced the velvet series of high-end down apparel products to cater for the market needs. It not only provided more diversified choices for consumers, but also increased the Group's proportion of products with higher profit margins. The Group will appropriately adjust and optimise the product mix according to the market responses of new products. Besides, during the period under review, Bosideng rolled out Fabio De Bianco product series designed by Fabio De Bianco, the former Moncler chief menswear designer, which features a trendy style, thus making the design of Bosideng apparel products comparable to internationally renowned brands.

## Revenue from down apparel business by brand

Brands	For the six months ended September 30 2016		2015		Change
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
Bosideng	1,234.9	85.2%	963.8	79.6%	28.1%
Snow Flying	89.8	6.2%	141.7	11.7%	-36.7%
Bengen	78.4	5.4%	50.9	4.2%	54.0%
Combo	38.6	2.7%	51.5	4.3%	-25.0%
Other brands	0.7	0.1%	1.5	0.1%	-53.3%
Others	7.8	0.4%	1.4	0.1%	457.1%
Total revenue from branded down apparel business	<u>1,450.2</u>	<u>100.0%</u>	<u>1,210.8</u>	<u>100.0%</u>	<u>19.8%</u>

## Revenue from branded down apparel business by sale category

Brands	For the six months ended September 30 2016		2015		Change
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
Self-operated	300.7	20.8%	288.5	23.8%	4.2%
Wholesale	1,141.7	78.7%	920.9	76.1%	24.0%
Others*	7.8	0.5%	1.4	0.1%	457.1%
Total revenue from branded down apparel business	<u>1,450.2</u>	<u>100.0%</u>	<u>1,210.8</u>	<u>100.0%</u>	<u>19.8%</u>

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

During the period under review, the Group continued to actively optimise the retail network and shut down underperforming stores to enhance store quality. Despite that Combo brand will be taken out of the down apparel market in the long run, some of the stores were retained during the period to clear the remaining inventory. As at September 30, 2016, the total number of retail outlets of the Group's down apparel business (net) reduced by 449 from March 31, 2016 to 4,822; self-operated outlets (net) increased by 95 to 1,789 during the period; and retail outlets operated by third-party distributors (net) reduced by 544 to 3,033. The self-operated and third-party distributor-operated retail outlets as a percentage of the overall retail network were 37.1% and 62.9%, respectively.

### Retail network by down apparel brand

As at September 30, 2016	Bosideng		Snow Flying		Combo		Bengen		Total*	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
<b>Specialty stores</b>										
Operated by the Group	438	127	15	-25	-	-4	-	-	453	98
Operated by third party distributors	<u>1,746</u>	<u>-32</u>	<u>96</u>	<u>-89</u>	<u>-</u>	<u>-14</u>	<u>312</u>	<u>169</u>	<u>2,154</u>	<u>34</u>
Subtotal	<u>2,184</u>	<u>95</u>	<u>111</u>	<u>-114</u>	<u>-</u>	<u>-18</u>	<u>312</u>	<u>169</u>	<u>2,607</u>	<u>132</u>
<b>Concessionary retail outlets</b>										
Operated by the Group	1,085	229	182	-171	69	-61	-	-	1,336	-3
Operated by third party distributors	<u>526</u>	<u>-368</u>	<u>75</u>	<u>-85</u>	<u>23</u>	<u>-58</u>	<u>255</u>	<u>-67</u>	<u>879</u>	<u>-578</u>
Subtotal	<u>1,611</u>	<u>-139</u>	<u>257</u>	<u>-256</u>	<u>92</u>	<u>-119</u>	<u>255</u>	<u>-67</u>	<u>2,215</u>	<u>-581</u>
<b>Total</b>	<b><u>3,795</u></b>	<b><u>-44</u></b>	<b><u>368</u></b>	<b><u>-370</u></b>	<b><u>92</u></b>	<b><u>-137</u></b>	<b><u>567</u></b>	<b><u>102</u></b>	<b><u>4,822</u></b>	<b><u>-449</u></b>

Change: Compared with that as at March 31, 2016

### Retail network of down apparel business by region

	As at September 30, 2016	As at March 31, 2016	Change
Eastern China	1,962	1,909	53
Central China	969	1,008	-39
Northern China	428	506	-78
Northeast China	544	596	-52
Northwest China	518	786	-268
Southwest China	<u>401</u>	<u>466</u>	<u>-65</u>
<b>Total</b>	<b><u>4,822</u></b>	<b><u>5,271</u></b>	<b><u>-449</u></b>

*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 the period under review, revenue from the Group's OEM management business decreased by 30.8% as compared with that for the corresponding period of last year to RMB664.3 million, accounting for 25.9% of the Group's revenue. As increasingly more OEM customers tend to look for those factories with multinational production capabilities, this will gradually be an international norm. Accordingly, revenue of the Group decreased due to the loss of some OEM orders. Faced with this new trend, the Group will actively cope with it and plan to fully make use of ITOCHU Corporation's production facilities in Southeast Asia in the coming financial year to increase the Group's multinational production capabilities, which is believed to benefit the expansion of the Group's OEM management business in the long run.

The OEM management business had 14 major clients and the percentage of revenue from the top five customers accounting approximately 90.0% of the total revenue from OEM management business.

*Non-down Apparel Business:*

During the period under review, revenue from the Group's non-down apparel business was approximately RMB452.2 million, representing an increase of 15.0%. During the period, non-down apparel brands continued to adjust the sales channels, clear inventories and strengthen retail capabilities to enhance their business. The revenue from the non-down apparel business is as follows:

**Revenue breakdown by non-down apparel brand**

<b>Brands</b>	<b>2016</b>		<b>2015</b>		<b>Change</b>
	<b>RMB million</b>	<b>% of non-down apparel revenue</b>	<b>RMB million</b>	<b>% of non-down apparel revenue</b>	
Bosideng MAN	<b>100.5</b>	<b>22.2%</b>	98.3	25.0%	2.2%
JESSIE	<b>168.9</b>	<b>37.4%</b>	158.3	40.3%	6.7%
Mogao	<b>100.5</b>	<b>22.2%</b>	128.2	32.6%	-21.6%
BUOU BUOU	<b>76.3</b>	<b>16.9%</b>	N/A	N/A	N/A
Others	<b>6.0</b>	<b>1.3%</b>	8.4	2.1%	-28.6%
Total revenue from non-down apparel business	<b>452.2</b>	<b>100.0%</b>	393.2	100.0%	15.0%

## Revenue from non-down apparel business by sale category

For the six months ended September 30

Brands	2016		2015		Change
	RMB million	% of non-down apparel revenue	RMB million	% of non-down apparel revenue	
Self-operated	277.6	61.4%	249.9	63.6%	11.1%
Wholesale	170.6	37.7%	139.3	35.4%	22.5%
Others*	4.0	0.9%	4.0	1.0%	—
Total revenue from non-down apparel business	<u>452.2</u>	<u>100.0%</u>	<u>393.2</u>	<u>100.0%</u>	<u>15.0%</u>

\* Represents revenue from rental income.

### BOSIDENG MAN

During the period under review, revenue from Bosideng MAN increased by 2.2% to approximately RMB100.5 million. Revenue from self-operated business decreased by 65.6% and revenue from wholesale business increased by 25.1% to approximately RMB8.6 million and RMB91.9 million, respectively. The increase in revenue was due to the increase in overall sales volume, Bosideng MAN's continued efforts in adjusting the retail network during the period and in eliminating less competitive retail outlets such that the total number of retail outlets (net) was reduced by 23 to 369.

### JESSIE

During the period under review, revenue from JESSIE increased by 6.7% to approximately RMB168.9 million. Of which, revenue from self-operated and wholesale businesses increased by 1.3% and 20.1%, respectively to approximately RMB114.6 million and RMB54.3 million. During the period under review, JESSIE concentrated its efforts on strengthening the management capabilities of self-operated stores, increasing the user-end investment, maintaining and following up VIP customer relationship and increasing revenue from VIP customer purchase, and took a prudent approach towards store opening. Following the adjustment and optimisation of retail network over the past two years, the number of JESSIE retail outlets (net) slightly increased by 3 to 206 during the period.

### MOGAO

During the period under review, revenue from Mogao decreased by 21.6% to approximately RMB100.5 million. Revenue from self-operated and wholesale businesses decreased by 13.1% and 66.0%, respectively, to approximately RMB93.5 million and RMB7.0 million. The decrease in revenue from Mogao was mainly due to the fact that Mogao implemented a tight strategy to profoundly streamline the sales network and substantially shut down underperforming stores. During the period under review, the total number of Mogao retail outlets (net) reduced by 57 to 187.

Taking into account the prevailing economic conditions and consumption pattern in China, the Group will continue to assess the positioning and development direction of Mogao and Bosideng MAN and appropriately formulate strategies for Mogao and Bosideng MAN that are in the interest of the Group's long-term development.

## BUOU BUOU

During the period under review, the Company acquired 70% equity interests in Buoubuou International Holdings Limited (“Buoubuou International”) which holds BUOU BUOU brand through Jessie International Holdings Limited for a consideration comprising 850,000,000 new shares of the Company (the “Shares”, and each a “Share”) issued at HKD0.652 per Share and cash payment of RMB70.0 million. Back in 2013, the Company invested RMB150.0 million in the acquisition of 30% interests in Buoubuou International through its subsidiary Talent Shine Limited (“Talent Shine”).

During the period under review, revenue from BUOU BUOU amounted to approximately RMB76.3 million. Revenue from self-operated and wholesale businesses amounted to approximately RMB58.9 million and RMB17.4 million, respectively. As at September 30, 2016, BUOU BUOU had a total of 215 stores.

### Retail network by non-down apparel brand

As at September 30, 2016	Bosideng MAN		JESSIE		Mogao		Buou Buou	Total*		
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Number of stores	Change	
<b>Specialty stores</b>										
Operated by the Group	4	-20	1	-	-	-	-	5	-20	
Operated by third party distributors	199	5	24	-4	36	-28	31	290	4	
Subtotal	203	-15	25	-4	36	-28	31	295	-16	
<b>Concessionary retail outlets</b>										
Operated by the Group	11	-21	115	3	151	-29	136	413	89	
Operated by third party distributors	155	13	66	4	-	-	48	269	65	
Subtotal	166	-8	181	7	151	-29	184	682	154	
<b>Total</b>	<b>369</b>	<b>-23</b>	<b>206</b>	<b>3</b>	<b>187</b>	<b>-57</b>	<b>215</b>	<b>977</b>	<b>138</b>	

Change: Compared with that as at March 31, 2016. As the Group acquired BUOU BUOU ladieswear in July 2016, the comparative figures are not applicable.

### Retail network of non-down apparel business by region

	As at September 30, 2016	As at March 31, 2016	Change
Eastern China	220	210	10
Central China	296	231	65
Northern China	72	45	27
Northeast China	102	103	-1
Northwest China	128	112	16
Southwest China	159	138	21
<b>Total</b>	<b>977</b>	<b>839</b>	<b>138</b>

*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*

*International Business:*

The Group's flagship store in London gradually expanded the popular and higher margin down apparel series in the UK market by fully utilising the Group's extensive resources in down apparel products since the last two financial years. The percentage of down apparel products in sales gradually increased on a year-on-year basis. In view of this, the London flagship store rolled out another best-selling product of the Group – autumn down apparel series at the end of August during the period. Market response was good initially, which increased the gross profit margin of the London flagship store.

## **GROSS PROFIT**

Gross profit of the Group increased by 9.4% from approximately RMB924.3 million in the same period last year to approximately RMB1,010.9 million, while gross margin increased by 3.3 percentage points to 39.4%.

The Group proactively controlled and adjusted the inventory and sales network of down apparel business and non-apparel business to minimise unnecessary inventory to leave room for production of products with higher profit margin. During the period under review, gross margin of down apparel business and non-down apparel business slightly dropped by 0.3 percentage point and 3.3 percentage points to 43.6% and 52.0%, respectively.

Gross margin of OEM management business increased by 3.4 percentage points from last year to 21.6%, mainly attributable to the change in sales mix where the proportion of higher profit margin orders increased during the period.

## **DISTRIBUTION EXPENSES**

The Group's distribution expenses, mainly comprising of advertising, promotion, concession fees, rental and salary and welfare, amounted to approximately RMB505.4 million, representing a decrease of 2.9%, as compared to approximately RMB520.6 million for the corresponding period of last year. Distribution expenses accounted for 19.7% of total revenue, representing a decrease of 0.6 percentage point as compared to 20.3% for the corresponding period of last year. The decrease in actual expenditure during the period under review was due to the decrease in relevant demand for personnel and store advertising expenses, which was caused by the Group's proactive efforts in optimising the retail network.



## **ADMINISTRATIVE EXPENSES**

The administrative expenses of the Group, which were mainly comprised of salary and welfare, depreciation and bad and doubtful debts provision, rental and consultancy expenses amounted to approximately RMB267.1 million, representing an increase of 10.0% as compared to approximately RMB242.8 million for the corresponding period of last year. During the period under review, administrative expenses accounted for 10.4% of the Group's revenue, representing a slight increase of 0.9 percentage point as compared to 9.5% for the corresponding period of last year. During the period under review, the Group purchased BUOU BUOU ladieswear and introduced the Share Award Scheme, resulting in an increase in administrative expenses as compared to that in the corresponding period of last year.

## **OPERATING PROFIT**

For the six months ended September 30, 2016, the Group's operating profit increased by 96.1% to RMB259.5 million. Operating profit margin for the period under review was 10.1%, representing an increase of 4.9 percentage points as compared to 5.2% for the corresponding period of last year, such increase was mainly due to the increase in the contribution from branded down apparel business and absence of impairment loss on goodwill.

## **FINANCE INCOME**

During the period under review, the Group's finance income recognised in profit or loss decreased by 22.2% to approximately RMB77.6 million from approximately RMB99.8 million for the corresponding period of last year, mainly due to the decrease in the PRC interest rates.

## **FINANCE COSTS**

During the period under review, the Group's finance costs generally comprised interest for the loans borrowed from banks outside China, which increased by approximately 150% to RMB140.7 million during the period, primarily as a result of the exchange loss of approximately RMB67.0 million arising from substantial volatility in currencies markets during the period.

## **TAXATION**

For the six months ended September 30, 2016, income tax expenses decreased from RMB53.8 million to RMB50.4 million. The effective tax rate was approximately 26.3%, slightly higher than the standard PRC income tax rate of 25%, which was mainly attributable to the combined effect of non-deductible expenses, tax losses of certain subsidiaries of the Group not recognised as deferred tax assets and tax preferential rate enjoyed by the subsidiaries.

## **LIQUIDITY AND FINANCIAL RESOURCES**

For the six months ended September 30, 2016, the Group's net cash used in operating activities amounted to approximately RMB1,127.1 million, as compared to a net cash inflow of approximately RMB708.7 million for the year ended March 31, 2016. Cash and cash equivalents as at September 30, 2016 amounted to approximately RMB2,396.7 million, as compared to approximately RMB3,023.4 million as at March 31, 2016.

The Group had available-for-sale financial assets, which was comprised of principal guaranteed short-term investments with banks in the PRC. Available-for-sale financial assets had expected but not guaranteed returns ranging from 2.68% to 4.20% (March 31, 2016: 1.60% to 6.30%) per annum.



As at September 30, 2016, the borrowings of the Group amounted to approximately RMB4,297.6 million (March 31, 2016: approximately RMB3,393.9 million), of which shareholders' loan amounted to approximately RMB1,466.7 million. The gearing ratio (total debt/total equity) of the Group was 55.2% (March 31, 2016: 45.5%) and the gearing ratio after deducting the loans amounted to JPY24 billion for capitalization ("JPY loan") on October 26, 2016 was 36.4%.

The Group anticipated that it will be able to arrange with its lenders to obtain fresh loans to replace the existing borrowings as they fall due, and the Group has sufficient cash and financial assets available for sale to meet its borrowing repayment requirements. Coupled with the loan capitalization mentioned above, the Group's liquidity position is strengthened.

## **CAPITAL COMMITMENTS**

As at September 30, 2016, the Group had capital commitments amounting to approximately RMB11.9 million (March 31, 2016: approximately RMB24.4 million).

## **OPERATING LEASE COMMITMENT**

As at September 30, 2016, the Group had irrevocable operating lease commitments amounting to approximately RMB90.9 million (March 31, 2016: approximately RMB118.0 million).

## **CONTINGENT LIABILITIES**

As at September 30, 2016, the Group had no material contingent liabilities.

## **NON-CURRENT ASSETS**

As at September 30, 2016, the total non-current assets of the Group amounted to approximately RMB3,146.8 million (March 31, 2016: approximately RMB2,698.1 million). The increase was mainly due to the increase of intangible assets and goodwill which amounted to approximately RMB717.5 million arising from acquisition of BUOU BUOU ladieswear during the period under review, partially netting off by the decrease of pre-existing interest in BUOU BUOU ladieswear amounted to approximately RMB237.0 million.

## **PLEDGE OF ASSETS**

As at September 30, 2016, bank deposits amounting to approximately RMB943.7 million (March 31, 2016: approximately RMB1,127.5 million) had been pledged to secure the bills payable and letters of credit as collateral of the Group's bank loans and banking facilities.

## **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. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuations in interest rates and foreign currency exchange rates.

## **FOREIGN CURRENCY EXPOSURE**

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated in Renminbi. Some of the Group's cash and bank deposits, including proceeds from the Group's initial public offering, were denominated in Hong Kong Dollars or US Dollars. The Company and some of its overseas subsidiaries adopted US Dollars or pound sterling as their functional currency. On April 8, 2016, the Company obtained the JPY loans (please refer to note 36(b) to the consolidated financial statements for 2015/2016 and the announcement of the Company dated January 8, 2016) and the capitalisation of the JPY loans was approved by the shareholders on October 25, 2016 (please refer to the announcements of the Company dated September 6, 2016, September 28, 2016 and October 25, 2016 and the circular of the Company dated September 28, 2016). Any significant exchange rate fluctuations of Hong Kong Dollars, US Dollars, JPY and pound sterling or against each entity's respective functional currency may have a financial 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 at September 30, 2016, the Group had 4,267 full-time employees (March 31, 2016: 3,867 full-time employees). Staff costs for the six months ended September 30, 2016 (including directors' remuneration in the form of salaries, other allowances and equity settled share-based transaction expenses) were approximately RMB292.9 million (2015: approximately RMB268.6 million). During the period, the Group acquired BUOU BUOU ladieswear and introduced the Share Award Scheme. Accordingly, staff costs increased by 9.0% as compared to that in the corresponding period of last year.

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

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

On August 5, 2016 (the "Date of Grant"), the Company granted an aggregate of (a) 180,900,000 awarded shares and (b) 180,900,000 share options at the exercise price of HKD0.71 per share of the Company (the "Share Options", and each a "Share Option") to 4 executive Directors and 62 employees of the Company, (i) 40% of which shall be vested during the period commencing from first anniversary date from the Date of Grant and ending on the last trading date of the 24-month period from the Date of Grant; (ii) 30% which shall be vested during the period commencing from first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading date of the 36-month period from the Date of Grant; and (iii) 30% which shall be vested during the period commencing from first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading date of the 48-month period from the Date of Grant.

During the period, no option has been vested or exercised. As at September 30, 2016, 180,900,000 Awarded Shares and 180,900,000 Share Options had been granted by the Group under the Share Award Scheme and Share Option Scheme.

## OUTLOOK

Looking ahead to the second half of the year, the retail business environment remains not optimistic as a whole. Macroeconomic growth in China is expected to continue slowing down. It is believed that consumer confidence and consumption sentiments will remain weak. Coupled with intensifying market competition and increasing choices for consumers, the market and business environment remains challenging. The Group will continue to adopt a practical and proactive approach to enhance its competitiveness and operating efficiency so as to lay a solid foundation for the Group's sustainable development.

With respect to down apparel business, in addition to adjusting retail network and devoting its efforts to branding and product innovation, the Group will inject new growth momentum into the brand through introducing a series of retail transformation and enhancement measures. With respect to non-down apparel business, the Group will reassess and review the performance of various brands and their long-term growth potentials. After weighing the revenue, resource allocation and the Group's long-term development strategies, the Group will appropriately adjust the non-down apparel product mix in pursuit of the objective of becoming a sound and multi-brand integrated apparel operator.

In addition, taking into account the prevailing conditions in the apparel industry and long-term development needs, the Company is well aware of the importance of market size, resources and international network. Accordingly, the Group will actively seek opportunities of new businesses and external alliances, including proactively introducing strategic investors and partners to promote diversified development. In October 2016, the Company indirectly introduced ITOCHU Corporation as strategic shareholder through capitalisation of the JPY loans into new Shares. The Company believes that it will bring in business or investment opportunities to the Company leveraging on ITOCHU Corporation's expertise and global resources. Currently, the preliminary work plans include:

- 1) Introducing ITOCHU Corporation's highly competitive raw materials to enhance the Company's brand value and product value;
- 2) Assisting the Company to strengthen overseas sales and e-sales;
- 3) Utilising ITOCHU Corporation's new production base in Southeast Asia to reduce the costs of production and expand the OEM management business;
- 4) Working together to seek merger and acquisition opportunities of European and US high-end down apparel brands and high growth potential kidswear brands with a view to enhancing the diversified development of the Company's businesses; and
- 5) Optimising the Company's internal control and management practice by leveraging on ITOCHU Corporation's international experience to enhance the Company's corporate value.

It is believed that, through the above profound cooperation, ITOCHU Corporation's relevant experience in apparel wholesale and retail as well as brand building not only strengthen the Group's capabilities in brand management, but also increase Bosideng's merger and acquisition capabilities to further expand the Group's business so as to achieve the long-term win-win objective.

## INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HKD1.0 cent (equivalent to approximately RMB0.9 cent) per ordinary share for the six months ended September 30, 2016. The proposed interim dividend is payable on or around February 14, 2017 to shareholders whose names appear on the register of members of the Company on February 1, 2017.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from January 26, 2017 to February 1, 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend payable on or around February 14, 2017, all duly completed transfer forms must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on January 25, 2017.

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

During the six months ended September 30, 2016, the Company had repurchased 3,880,000 Shares on the Stock Exchange at an aggregate consideration of about HKD2.3 million before expenses. Details of the share repurchases are as follows:

Month of repurchases	Number of shares repurchased	Highest price paid per share <i>HKD</i>	Lowest price paid per share <i>HKD</i>	Aggregate consideration paid <i>HKD</i>
May 2016	3,880,000	0.60	0.60	2,328,000

Except for the repurchase of the Shares as set out above, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

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

## CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Directors are of the opinion that the Company had complied with the code provisions of Corporate Governance Code (the "Code"), as set out in Appendix 14 to the Listing Rules for the six months ended September 30, 2016, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

Mr. Gao Dekang is the Chairman and CEO of the Company, as well as the founder of the Group. The Board believes that it is necessary to vest the roles of Chairman and CEO in the same person due to its unique role, Mr. Gao Dekang's experience and established market reputation in China's down apparel industry, and the importance of Mr. Gao Dekang in the strategic development of the Company. This dual role provides strong and consistent market leadership and is critical to efficient business planning and decision-making of the Company. As all major decisions of the Group are made in consultation with members of the Board and the relevant Board committees, and there are four independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

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

This announcement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://company.bosideng.com>). The interim report for the six months ended September 30, 2016 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, November 29, 2016

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