

For immediate release



波司登國際控股有限公司

Bosideng International Holdings Limited

Bosideng Announces FY2016/17 Annual Results Operating Profit Surged by 95.5% to RMB660 million

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Fully Reshapes Brand Image for a Diversified Business Development

Financial Highlights

<i>RMB'000</i>	For the year ended 31 March		Change
	2017	2016	
Revenue	6,816,599	5,787,321	+17.8%
Gross profit	3,163,204	2,609,218	+21.2%
Operating profit	660,007	337,679	+95.5%
Profit before tax	572,890	406,528	+40.9%
Profit attributable to equity shareholders	391,844	280,942	+39.5%
Basic EPS (RMB cents)	4.22	3.54	+19.2%
Final dividend per share (HKD cents)	0.50	2.6	-80.8%
Full year dividend per share (HKD cents)	1.50	2.6	-42.3%

(26 June 2017 – Hong Kong) – Bosideng International Holdings Limited (“Bosideng” or the “Company”, stock code: 3998, or together with its subsidiaries collectively referred to as the “Group”), the largest down apparel company in the PRC, announces its annual results for the year ended 31 March 2017.

Financial Review

During the year under review, revenue of the Group’s branded down apparel business rebounded thanks to the integration of the Group’s non-down apparel business and contributions from new acquisitions, resulting in an increased overall revenue during the year. For the year ended 31 March 2017, revenue of the Group increased by 17.8% to RMB6,816.6 million, of which branded down apparel business remained the biggest revenue contributor of the Group, accounting for 67.2% of the Group’s revenue, with the remaining 11.4% and 21.4% derived from OEM management business and non-down apparel business, respectively.

During the year, gross profit increased by 21.2% to RMB3,163.2 million and gross profit margin increased by 1.3 percentage points to 46.4%. The gross profit margin of branded down apparel business boosted by 1.1 percentage points to 51.1%, which was mainly due to the Group’s continued efforts in inventory clearance to make space for new products with higher gross profit. The gross profit margin of non-down apparel business decreased by 5.0 percentage points to 45.7%, mainly due to an increase in sales proportion of products with a comparatively lower gross profit. The gross profit margin of OEM management business remained stable at 20.0%.

For the year ended 31 March 2017, the Group's operating profit substantially increased by 95.5% to approximately RMB660.0 million. Operating profit margin amounted to 9.7%, representing a year-on-year increase of 3.9 percentage points, which was mainly attributable to the increase in contribution from branded down apparel business and non-down apparel business, as well as no goodwill impairment required. During the year under review, profit attributable to equity shareholders increased by 39.5% to approximately RMB391.8 million. Basic earnings per share amounted to RMB4.22 cents. The Board of Directors recommended a final dividend of HKD0.5 cent per ordinary share.

Business Review

Down Apparel Business

During the year, revenue of the Group's down apparel business recorded a year-on-year increase of 15.1% to RMB4,579.2 million. In the previous two financial years, the Group adhered to inventory clearance and sales network optimization. Following the improvement of inventory structure, the Group developed more products attuned to market demands during the year, thereby increasing the revenue and gross profit margin of the business.

To illustrate, the Group seized the opportunity arose from the opening of Shanghai Disneyland and cooperated with the Walt Disney Company to introduce the *Bosideng x Disney* series down apparel for both adults and kids. The Group also launched Disney's Beauty and the Beast series products in 2017. In the future, the Group will continue the partnership with Disney and strengthen the scope and content of mutual cooperation. Along with the changing of logo which has been used for many years, *Bosideng's* newly-launched products and optimized brand image resulted in an increase in the revenue by 22.4% to RMB4,060.7 million.

During the year, the Group continued to actively optimize the retail network and shut down underperforming stores to enhance store quality. As at 31 March 2017, the total number of retail outlets of the Group's down apparel business (net) decreased by 979 to 4,292 compared to a year ago. Self-operated retail outlets (net) decreased by 320 to 1,374; and retail outlets operated by third-party distributors (net) reduced by 659 to 2,918. Self-operated, and third-party distributor-operated retail outlets as a percentage of the overall retail network were 32% and 68% respectively.

OEM Management Business

During the year, revenue from the Group's OEM management business decreased by 21.0% to approximately RMB777.7 million as compared with that of last year, which was due to production cost increase recorded in China every year, resulting in many OEM clients transferred their orders to Southeast Asia where production costs are lower and tax concessions are present. With the growing trend of OEM clients preferring factories with multinational production capabilities, the Group has therefore, recorded some losses on OEM orders.

In view of the new trend, the Group planned to make full use of the ITOCHU Corporation's production facilities in Southeast Asia to exploit cost advantage and increase the Group's multinational production capabilities. The Group tentatively expects to process orders at the ITOCHU Corporation's production facilities in Southeast Asia in the coming financial year to improve its OEM management business.

Non-down Apparel Business

During the year under review, revenue from the Group's non-down apparel business was approximately RMB1,459.7 million, representing a year-on-year increase of 76.7%, which benefited from the revenue increase of *Bosideng MAN* and the contributions from newly acquired business. Among which, *Bosideng MAN* focused on improving the retail operation and merchandise benefits which increased the business revenue by 77.2% year on year to approximately RMB329.8 million. While *JESSIE* concentrated its efforts on strengthening the management capabilities of self-operated stores, however, volume of new orders reduced due to inventory clearance conducted by distributors, resulting in a decline in its wholesale business. During the year under review, revenue from *JESSIE* slightly decreased by 2.8% to approximately RMB323.5 million. Revenue from *BUOU BUOU* amounted to approximately RMB298.5 million during the year.

The Group was optimistic about the prospect of domestic ladieswear industry and has gradually expanded its ladieswear business through acquisition in the past few years. In April 2017, the Group completed the acquisition of two ladieswear brands, *KOREANO* and *KLOVA*. On the other hand, taking into account the current domestic economic conditions and consumption patterns as well as the business performance and development potential of *Mogao*, the Group disposed all of its equity interests in *Mogao* in February 2017 to focus its resources on apparel brands with greater potential.

Other new business

The Group strived to diversify its business to become a comprehensive apparel operator. Given an enormous school uniform market—that many international schools have made a presence in China, and that government-established institutions are gradually transferring from government-dominated model to school- and parents-dominated model with obvious market orientation—the Group seeks high quality, focuses on detailed design and strives to provide tailor-made services to meet individual demands and to expand new business for the Group. In addition, the Group transformed the Bosideng undergarments business operation which had historically been authorized to third parties into self-operated, expanding the business from thermal undergarments to various homewear, and successfully transformed single-season business model into all-season business model. At present, the Group has established 15 Bosideng Home stores with the plan to expand to 50 stores in the coming year, so as to provide quality homewear to the PRC market.

Online Sales

In order to meet the strong market demand for online shopping, the Group actively conducted research and developed its online sales, as well as established a professional team to standardize the operation of online sales of all brands to improve operational efficiency and synergy. During the year, revenue from online sales amounted to RMB1,077.1 million, representing a substantial increase of 88.2% year on year. Among which, online sales revenue from branded down apparel business and non-down apparel business for the year amounted to approximately RMB757.1 million and RMB320.0 million, respectively, representing a 16.5% and a 21.9% of aggregate revenue from the branded down apparel business and the non-down apparel business, respectively.

Future Development

Mr. Gao Dekang, Chairman and CEO of Bosideng, said, “With the deepening of urbanization, China’s consumption potential remains huge, while consumption pattern is changing at the same time to a more rational way and consumer experience-oriented. Along with the rise of online consumption, which brought new challenges to traditional Chinese apparel retail enterprises and impacted the business model of physical stores. In addition, consumers expect more living functions on apparels on top of basic heat preservation, fashion and aesthetics. The rapid change of consumption requirements urges and requires apparel enterprises to pay close attention and to react to market changes. The Group will continue to endeavor to gradually transform from the traditional wholesale business model to a market and consumer-oriented retail model.”

In response to the challenges, the Group will enhance its competitiveness in following areas:

Down apparel business: Looking forward, the Group will comprehensively reshape Bosideng brand series, continue to optimize each key link of retail business model and strengthen the management of retail terminals and the applications of big data, so as to actively enhance its internal competitiveness and operation efficiency. With respect to products, the Group will continue to innovate and incorporate the new concepts of trendiness and casual lifestyle into the down apparel’s features of lightness, softness and heat preservation to increase living functions, with the goal to provide high-quality, high-utility and trendy down apparel products with high price-performance ratio for consumers.

Building of ladieswear platform: The scale of the Group’s ladieswear business platform has gradually emerged with current ladieswear brands *JESSIE*, *BUOU BUOU*, *KOREANO* and *KLOVA*. The Group will integrate ladieswear resources to improve the synergy effects and expand premium channels for ladieswear appropriately. Meanwhile, the Group will continue to explore potential ladieswear brands to further develop the platform.

Diversification: Apart from the existing school uniform business and homewear business, the Group will actively extend its research to children’s wear and outdoor apparel, etc. to realize the transformation from “product operation” to “brand operation”. In addition, the Group will proactively make good use of existing resources together with the operational experience and global resources of ITOCHU Corporation, its strategic investor, to explore more potential apparel businesses and brands to further fortify the Group’s strengths in various apparel business segments and to strive for the goal of becoming an integrated multi-brand apparel operator.

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About Bosideng International Holdings Limited:

Bosideng International Holdings Limited (the “Company”, which together with its subsidiaries, is referred to as the “Group”) is a renowned down apparel company in the People’s Republic of China (the “PRC”) with down apparel brands, namely *Bosideng*, *Snow Flying* and *Bengen*. The Group caters for different customers and consolidates its leading position in the PRC market with its core brands.

The Group is actively pursuing the strategy of developing an evergreen apparel business for four seasons while maintaining its down apparel business as its core operation. It is also proactively exploring opportunities to acquire reputable non-down apparel brands with high potential for development. It aspires to become a world-renowned integrated apparel brand operator. Currently, the Group’s key non-down apparel brands include *Bosideng MAN* for menswear and *JESSIE*, *BUOU BUOU*, *KOREANO* and *KLOVA* for ladieswear.

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