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, 2010

HIGHLIGHTS

- Revenue increased by 18.8% to approximately RMB1,858.3 million
- Gross profit margin increased by 4.4 percentage points to 37.9%
- Profit from operating activities increased by 175.7% to approximately RMB84.0 million
- Net profit attributable to equity holders of the Company increased by 82.4% to approximately RMB110.6 million
- Interim dividend of RMB6.5 cents per ordinary share was declared by the Board

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Bosideng International Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended September 30, 2010, together with the unaudited comparative figures for the corresponding period in 2009. These interim financial statements have not been audited, but have been reviewed by the auditors, KPMG, and the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010 (UNAUDITED)

	Note	**Six months ended September 30, 2010**	Six months ended September 30, 2009
			(unaudited)
		RMB'000	*RMB'000*
Revenue	4	**1,858,284**	1,564,855
Cost of sales		**(1,154,022)**	(1,039,982)
Gross profit		**704,262**	524,873
Other income	5	**9,849**	18,805
Fair value changes on derivative financial instruments		**—**	(25,811)
Distribution expenses		**(451,687)**	(324,723)
Administrative expenses		**(162,896)**	(148,703)
Other expenses	5	**(15,518)**	(13,970)
Profit from operating activities		**84,010**	30,471
Finance income		**102,183**	51,257
Finance expenses		**(8,657)**	(1,423)
Net finance income	7	**93,526**	49,834
Profit before income tax		**177,536**	80,305
Income tax expense	8	**(67,010)**	(19,685)
Profit for the period		**110,526**	60,620
Other comprehensive income:			
Foreign currency translation differences for foreign operations		**(6,519)**	(1,463)
Net change in fair value of available-for-sale financial assets		**8,272**	20,619
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**(48,509)**	—
Income tax on other comprehensive income		**4,693**	(2,577)
Other comprehensive income for the period, net of income tax		**(42,063)**	16,579
Total comprehensive income for the period		**68,463**	77,199
Profit attributable to:			
Equity holders of the Company		**110,565**	60,622
Non-controlling interests		**(39)**	(2)
Profit for the period		**110,526**	60,620
Total comprehensive income attributable to:			
Equity holders of the Company		**68,502**	77,201
Non-controlling interests		**(39)**	(2)
Total comprehensive income for the period		**68,463**	77,199
Earnings per share			
– basic and diluted (RMB cents)	10	**1.42**	0.78

CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2010 (UNAUDITED)

	Note	**At September 30, 2010** **RMB'000**	At March 31, 2010 *RMB'000* *(audited)*
Non-current assets			
Property, plant and equipment		**258,013**	214,482
Land use rights		**32,051**	32,389
Intangible assets		**517,682**	525,912
Long-term deposit		**—**	65,000
Deferred tax assets		**54,758**	52,434
		862,504	890,217
Current assets			
Inventories	11	**1,558,606**	859,687
Trade, bills and other receivables	12	**1,193,770**	867,510
Receivables due from related parties		**130,103**	48,334
Prepayments for materials and service suppliers		**536,309**	228,063
Held-to-maturity investments		**—**	400,000
Available-for-sale financial assets		**1,378,272**	1,618,509
Pledged bank deposits		**26,695**	2,232
Time deposits with maturity over 3 months		**373,340**	339,676
Cash and cash equivalents		**2,329,119**	3,127,587
		7,526,214	7,491,598
Current liabilities			
Current tax liabilities		**136,936**	147,667
Trade and other payables	13	**1,864,450**	1,204,898
Payables due to related parties		**19,143**	10,399
		2,020,529	1,362,964
Net current assets		**5,505,685**	6,128,634
Total assets less current liabilities		**6,368,189**	7,018,851
Non-current liabilities			
Long-term payables		**—**	65,000
Deferred tax liabilities		**165,976**	140,698
		165,976	205,698
Net assets		**6,202,213**	6,813,153
Equity			
Share capital		**607**	607
Reserves		**6,201,650**	6,812,551
Equity attributable to equity holders of the Company		**6,202,257**	6,813,158
Non-controlling interests		**(44)**	(5)
Total equity		**6,202,213**	6,813,153

Notes:

1. REPORTING ENTITY AND CORPORATE INFORMATION

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 Group is 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 branded menswear apparel products in the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

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

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

This interim financial report contains the condensed interim consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended March 31, 2010 were issued on July 7, 2010 (the "2009/10 Annual Financial Statements"). The condensed interim consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the 2009/10 Annual Financial Statements.

The interim financial report for the six-month period ended September 30, 2010 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors (the "Board") on November 29, 2010. The interim financial report 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, 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The 2009/10 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 July 7, 2010.

3. CHANGES IN ACCOUNTING POLICIES

Except as described below, the interim financial report has been prepared in accordance with the same accounting policies adopted in the preparation of the 2009/10 Annual Financial Statements and should be read in conjunction with the 2009/10 Annual Financial Statements.

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the interim financial report:

- IFRS 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Improvements to IFRSs (2009)

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

The above developments resulted in changes in accounting policies and the impact on the current or comparative periods are set out below:

The majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

The amendment introduced by the Improvements to IFRSs (2009) omnibus standard in respect of IAS 17, *Leases*, has had no material impact on the Group's financial statements as the classification of the Group's interests in leasehold land as operating leases continues to be appropriate.

As a result of the amendment to IFRS 8, "Operating segments", arising from the Improvements to IFRSs (2009) omnibus standard, the measure of total assets for each reportable segment is only required to be presented if it is regularly provided to the Group's chief operating decision maker. Segment assets of the Group are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets have not been presented in this interim results.

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 apparels segment carries on the business of sourcing and distributing branded down apparels.

— OEM: The OEM management segment carries on the business of sourcing and distributing OEM apparels.

— Menswear apparels: The menswear apparels segment carries on the business of sourcing and distributing branded menswear apparels (non-down).

As the Group mainly operates in the PRC, no geographical segment information has been presented.

(a) Segment results

	For the six months ended September 30, 2010 *(unaudited)*			
	Down apparels *RMB'000*	**OEM management** *RMB'000*	**Menswear apparels** *RMB'000*	**Group** *RMB'000*
Revenue from external customers	**1,209,203**	**518,319**	**130,762**	**1,858,284**
Inter-segment revenue	**—**	**—**	**5,111**	**5,111**
Reportable segment revenue	**1,209,203**	**518,319**	**135,873**	**1,863,395**
Reportable segment profit from operations	**53,988**	**74,496**	**577**	**129,061**
Depreciation	**12,233**	**104**	**6,069**	**18,406**

	For the six months ended September 30, 2009 *(unaudited)*			
	Down apparels *RMB'000*	OEM management *RMB'000*	Menswear apparels *RMB'000*	Group *RMB'000*
Revenue from external customers	1,032,284	475,712	56,859	1,564,855
Inter-segment revenue	—	—	2,966	2,966
Reportable segment revenue	1,032,284	475,712	59,825	1,567,821
Reportable segment profit/(loss) from operations	19,338	86,419	(25,424)	80,333
Depreciation	7,349	30	168	7,547

(b) Reconciliations of reportable segment revenue and profit before income tax

	For the six months ended September 30	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Reportable segment revenue	**1,863,395**	1,567,821
Elimination of inter-segment revenue	**(5,111)**	(2,966)
Consolidated revenue	**1,858,284**	1,564,855

	For the six months ended September 30	
	2010	2009
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit before income tax		
Reportable segment profit derived from the Group's external customers	**129,061**	80,333
Government grants	**3,299**	14,072
Unallocated expenses	**(48,350)**	(63,934)
Finance income	**102,183**	51,257
Finance expenses	**(8,657)**	(1,423)
Consolidated profit before income tax	**177,536**	80,305

5. OTHER INCOME AND EXPENSES

	Note	**Six months ended September 30, 2010** *RMB'000* *(unaudited)*	Six months ended September 30, 2009 *RMB'000* *(unaudited)*
Royalty income	(i)	**6,550**	4,733
Government grants	(ii)	**3,299**	14,072
Other income		**9,849**	18,805
Other expenses - donations		**(15,518)**	(13,970)

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

(ii) The Group received unconditional discretionary grants amounting to RMB3,299,000 for the six months period ended September 30, 2010 (2009: RMB14,072,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

6. EXPENSES BY NATURE

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

	Six months ended September 30, 2010 *RMB'000* *(unaudited)*	Six months ended September 30, 2009 *RMB'000* *(unaudited)*
Cost of inventories recognized as expenses included in cost of sales	**1,196,643**	1,089,982
Reversal of inventories to net realizable value	**(42,621)**	(50,000)
Depreciation	**18,406**	7,547
Amortization	**8,568**	7,783
Operating lease charges	**57,350**	22,853
Impairment of bad and doubtful debts	**34,657**	48,853

7. NET FINANCE INCOME

	Six months ended September 30, 2010 *RMB'000* *(unaudited)*	Six months ended September 30, 2009 *RMB'000* *(unaudited)*
Recognized in profit or loss:		
Interest income on held-to-maturity investments	**3,732**	19,639
Interest income on bank deposits	**27,077**	31,618
Interest income on available-for-sale financial assets	**22,865**	—
Net gain on disposal of available-for-sale financial assets transferred from equity	**48,509**	—
Finance income	**102,183**	51,257
Bank charges	**(2,069)**	(618)
Net foreign exchange loss	**(6,588)**	(805)
Finance expenses	**(8,657)**	(1,423)
Net finance income recognized in profit or loss	**93,526**	49,834
Recognized in other comprehensive income:		
Exchange differences on translation of financial statements of foreign operations	**(6,519)**	(1,463)
Net change in fair value of available-for-sale financial assets	**8,272**	20,619
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	**(48,509)**	—
Income tax on finance income recognized in other comprehensive income	**4,693**	(2,577)
Net finance income recognized in other comprehensive income, net of tax	**(42,063)**	16,579

No interest has been capitalized during the six months ended September 30, 2010.

8. INCOME TAX EXPENSE

Income tax in profit or loss represents:

	Six months ended September 30, 2010	Six months ended September 30, 2009
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current tax		
Provision for PRC income tax	**39,363**	20,434
Deferred tax		
Origination and reversal of temporary differences	**27,647**	(749)
	67,010	19,685

(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 International Company Bosideng Ltd. and Bosideng America Inc., subsidiaries of the Group registered in Russia and the United States (the "US") respectively, as they do not have assessable profits subject to any Russian or US income tax during the period.

(iii) No tax provision has been made for 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.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which became effective on January 1, 2008, when the income tax rules and regulations of the PRC applicable to foreign investment enterprises (the "FEIT Law") was abolished. The new tax law adopts a uniform tax rate of 25% for all enterprises including foreign investment enterprises in the PRC.

Pursuant to the transitional arrangement under the New Tax Law, those subsidiaries of the Group that are foreign investment enterprises will continue to enjoy tax-exemption or 50% reduction on the applicable income tax rates under the New Tax Law during the transitional period of five years starting from January 1, 2008 until the expiry of the tax holidays previous granted under the FEIT Law. Thereafter they are subject to the unified rate of 25%.

The applicable income tax rate of other domestic companies established in the PRC is 25%.

The effective tax rate for the six months ended September 30, 2010 is approximately 37.7%. The increase from the prior period comparative effective tax rate of approximately 24.5% is mainly attributable to an additional provision for withholding tax of RMB31,000,000 made on the undistributed retained earnings of the Group's PRC subsidiaries during the six months ended September 30, 2010. Pursuant to the New Tax Law, 10% withholding tax will be levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after December 31, 2007. Deferred tax liabilities have been recognized for the retained earnings recorded in the books and accounts of the Group's PRC subsidiaries generated after December 31, 2007, which management estimates will be distributed outside of the PRC within the next 12 months.

9. DIVIDENDS

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

	Six months ended September 30, 2010	Six months ended September 30, 2009
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interim dividend declared and paid of RMB6.5 cents per ordinary share (2009: interim dividend of RMB3.8 cents per ordinary share)	**505,203**	295,349

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

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

	Six months ended September 30, 2010	Six months ended September 30, 2009
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB8.8 cents per share (2009: final dividend of RMB8 cents)	**683,967**	621,788

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended September 30, 2010 was based on the profit attributable to equity holders of the Company for the six months of RMB110,565,000 (2009: RMB60,622,000) and the weighted average number of shares in issue during the six months ended September 30, 2010 of 7,772,350,000 (2009: 7,772,350,000).

11. INVENTORIES

	At September 30, 2010	At March 31, 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Raw materials	**364,916**	59,869
Work in progress	**378,832**	6,243
Finished goods	**814,858**	793,575
	1,558,606	859,687

At September 30, 2010, inventories carried at net realizable value amounted to approximately RMB235,314,000 (March 31, 2010: RMB359,212,000).

12. TRADE, BILLS AND OTHER RECEIVABLES

	At September 30, 2010	At March 31, 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables	**806,396**	609,015
Bills receivables	**26,422**	51,656
	832,818	660,671
Third party other receivables:		
• VAT recoverable	**52,090**	55,562
• Deposits	**152,645**	63,272
• Advances to employees	**8,653**	5,708
• Deposit within an escrow account in connection with an acquisition	**130,000**	65,000
• Others	**17,564**	17,297
	1,193,770	867,510

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

The Group normally allows a credit period ranging from 30 days to 90 days from the date of billing to its customers. As at September 30, 2010, trade and bills receivables of approximately RMB52,089,000 (March 31, 2010: RMB32,910,000) were past due but considered to be not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade and bills receivables (net of impairment losses on bad and doubtful debts) is as follows:

	At September 30, 2010	At March 31, 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within credit terms	**780,729**	627,761
1 to 3 months past due	**31,976**	32,685
Over 3 months but less than 6 months past due	**15,918**	225
Over 6 months but less than 12 months past due	**4,195**	—
	832,818	660,671

13. TRADE AND OTHER PAYABLES

	At September 30, 2010	At March 31, 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**866,459**	438,034
Other payables and accrued expenses		
• Deposits from customers	**570,155**	423,938
• Accrued rebates and commissions	**98,007**	99,378
• Accrued advertising expenses	**61,139**	55,929
• Accrued payroll and welfare	**89,881**	73,353
• Contingent consideration payables in connection with an acquisition	**130,000**	65,000
• Dividends payable	**5,000**	5,000
• Others	**43,809**	44,266
	1,864,450	1,204,898

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

An ageing analysis of trade payables is set out below:

	At September 30, 2010	At March 31, 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Due within 1 month or on demand	**111,128**	183,862
Due after 1 month but within 3 months	**755,331**	254,172
	866,459	438,034

14. NON-ADJUSTING POST-BALANCE SHEET EVENT

Subsequent to September 30, 2010, the Board of the Company declared an interim dividend of RMB6.5 cents per ordinary share to equity holders of the Company on November 29, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Affected by the European Sovereign Debt Crisis, the economic growth in China has slowed down due to the complicated external economic environment since the beginning of the year. However, since the fundamentals of Chinese economy were still strong, domestic demand maintained its growth and foreign demand continued to recover.

During the reporting period, factors like surging raw material costs, rising labor costs and continuous appreciation in Renminbi, causing the cost to increase rapidly and the gross profit margin of the whole of apparel industry to suffer a pressure of decrease. However, as the domestic demand remained strong, the apparel industry of China continued to expand generally though the growth has slowed down. The industry performed well in the first half of the financial year, particularly the major brands who were able to transfer part of the increased costs to customers. The product quality and operation efficiency, of major brands have further improved and the industry has laid a good foundation for a healthy growth.

Business Review

Our down apparel business maintained its leading market position and the results met expectations

In the first half of the year, down apparel business remained the major business of the Group and has laid a strong foundation for the long-term and comprehensive development of the Group.

According to the information of China Industrial Information Issuing Center ("CIIIC") and the National Bureau of Statistics of China, the down apparel brands of the Group maintained their leading positions in the down apparel industry of the PRC. "Bosideng" has ranked the top brand in terms of sales within China for 15 consecutive years since 1995. According to a report published by CIIIC, the total market share of the Group's brand portfolio, including "Bosideng", "Snow Flying", "Kangbo" and "Bengen", was 38.0% in 2009. These four brands ranked among top ten in terms of sales. "Bosideng" and "Snow Flying" continued to rank first and second in terms of sales, with a market share of 24.9% and 7.6%, respectively, while "Bengen" and "Kangbo" were ranked seventh and eighth with a market share of 2.9% and 2.6%, respectively.

On September 15, 2010, the 16th annual "Most Valuable Chinese Brands" were announced in Shanghai, China. With a brand value of RMB18.016 billion, "Bosideng", one of the brands of the Group was on the list again and ranked 13th. "Snow Flying", another brand under the Group, was also on the list again and ranked 46th with a brand value of RMB5.132 billion. "Most Valuable Chinese Brands" are selected by R&F Global Ranking and Beijing Famous-Brand Evaluation Co. Ltd. based on brand values. Enterprises on the list in previous years were influential consumer brands in the PRC market and were recognized as major contributors to the PRC economy and representatives of the best enterprises in their respective industries.

During the period under review, the Group's revenue from branded down apparel were subject to seasonal fluctuations. In general, highest sales or peak sales period, are recorded from October to February of the following year. Lowest sales or off peak sales periods are recorded from March to May before the Group enters into off-peak sales season from June to September when it offers promotional discounts to sell inventory brought forward from the previous financial year, so did the past few years. The Group's results of the down apparel business for the reporting period were within the expectations of the Directors and our management.

Grand outdoor launch surprised the industry again

The annual down apparel launch of Bosideng is a major event in the industry. Bosideng never disappoints the audience by bringing creative and astonishing in design concepts as well as the launch presentation. The show held by Bosideng in Zhangjiajie, Hunan this year has raised the scenic presentation to a brand new level.

The Bosideng 2010 product launch entitled "Charisma of Fabulous Fashion in Zhangjiajie (羽裳霓曲 • 魅力張家界)" was staged in Zhangjiajie, Hunan on September 10, 2010. The unique and wonderful mountain scenery of Zhangjiajie became the perfect backdrop of this outdoor launch show. The show displayed over 400 styles of trendy Bosideng down apparel which will be launched to the market. Designer's inspiration originated from the image of sky and earth, representing the contemplation of harmony between men, nature, sky and earth as well as concerns of an apparel brand in the low-carbon era. The six down apparel series astonished more than 1,000 professionals of the industry with unprecedented pioneer concepts while meeting consumers' needs for fashion at the same time. Moreover, Zhangjiajie was the perfect venue of the launch show as it demonstrates the unity of trend and nature as well as concept and market.

There are four down apparel series of Bosideng ladies' wear for Fall/Winter in this year, including "Meeting Euphemism（委婉之約）", an accessories series which accentuates a trendy style in the low-carbon era; "Energetic Street（炫動街區）", targeting the younger generation and using a large amount of glazed fabric to show the chemistry of shadow and speed and express the trendy characteristic; "Earth Journey（大地之旅）", emphasizing comfort and returning to the ego by applying many natural colours such as cheesy yellow, olive brown, orange grey, military green and plum red; and "Intellect's Dimension（達人空間）, accentuating mix and match and the unique character with delicate details such as ruffles, warmness, laces and folds. Down apparel of Bosideng menswear, which made a breakthrough with innovative elements, consists of two series: "Casual Station（隨性驛站）", illustrating a combination of trend and nature with features of calmness and open-mindedness by using colours of nature such as reddish brown, forest green, solid black and dark green; and "Space of Freedom（自由空間）", representing a carefree lifestyle by using simple cutting and subtle colours. Its functional element is the greatest feature, which represents calmness and functionality.

Brand transformation of "Bengen" with stronger characteristics featured a new culture of trendiness

In order to implement our development strategies of product portfolio, the Group enriched the culture and enhanced the brand positioning of "Bosideng" while accelerating the independent development of other dominant brands of the Group. In the past two years, the Group repositioned the "Bengen" (previously known as "Bingjie") brand under separate management and achieved satisfactory performance. Capitalized on its trendy design concepts, distinct brand style, precise market positioning and scientific operational management, the sales and market share of "Bengen" brand products increased significantly and were widely recognized by the market.

In 2010, "Bengen" continued to achieve innovations, changes and breakthroughs pragmatically by implementing a series of new plans on brand upgrading, changing sales and marketing strategy and new product designs. By upgrading the brand logo from "BINGJIE" to "BENGEN", the trendy image of "Bengen" brand in 2009 was broadened in 2010 with more prominent characteristics and represented a culture of vogue. Positioned as a trendy and fashionable brand, it led a harmonious combination of fashion, environment and humans with stylish designs. In June 2010, "Bengen" held a trade fair with a strategic theme of "The Charming China, The Trendy Me(魅力中國，時尚看我)". It launched the "School Days(青春校園)", "Cosmopolitan Charm(都市魅惑)" and "Romance(浪漫情懷)" series targeting cosmopolitan men and women at the age of 18-30 who are young and energetic and in pursuit of trendiness and fashion. These series accentuated the openness, personality, trendiness, vibrancy and colourful designs as the themes of the brand. The spokeswoman of the brand, Jang Nara, a Korean superstar, showed up in the Changshu trade fair and performed her famous pop songs. Her demonstration in the '"Bengen" New Apparels Show 2010', with Li Zifeng, a Chinese top model, culminated the whole trade fair. The distributors were highly confident of the policy and new products of the Company and showed their excitement to placing order with the Company. The number of orders hit an unprecedented high record and the amount of order was higher than expected.

Capitalized on the transformation of brand and design, "Bengen" planned to launch TV commercials in major media such as CCTV, Hunan TV and Jiangsu TV and in commercial breaks during entertainment shows in prime time, so as to enhance its reputation of a trendy brand. According to the marketing strategy, more effort will be put in holidays including the Mid-autumn festival, National Day, Christmas, the New Year, the Chinese New Year and the Chinese Valentine's Day.

Accelerating development of non-seasonal apparel business

In order to enhance the diversity of the apparel products, reduce corporate operation risks, explore new sources of profit and to enhance profitability of the Company, the Group has proactively implemented a strategy to develop non-seasonal apparel products to expand its brand and product portfolio, and will continue to implement the strategy in the reporting period. The results met the expectations of the Directors and our management.

Bosideng menswear

Acquisition of Bosideng menswear business in May 2009 was the first step of the Group's transformation from offering "seasonal products" to "non-seasonal apparel products". Leveraging on the "Bosideng" brand and strong support of the Group, Bosideng menswear has been repositioned as a menswear brand demonstrating "Quality of Life". It has successfully converged with our existing businesses and has experienced comprehensive improvements in various aspects including brand positioning, product quality, public awareness and sales channels. Products of Bosideng menswear are welcomed by the consumers at large and achieved outstanding results. The rapid growth in the results of Bosideng menswear during the reporting period met the expectation of the management.

Two major trade fairs for Bosideng menswear were held during the period under review with popular response:

On April 11, 2010, the grand opening of a product launch show and trade fair for 2010 Fall/Winter of "Bosideng MAN" entitled "Leap Forward（跨越）" was held in Changshu International Convention and Trade Centre, and attended by more than 1,000 distributors across the country. During 12 days of the trade fair, the total amount of sales order reached RMB290 million, representing an increase of approximately 57% when compared to the corresponding period last year. 2010 Fall/Winter of "Bosideng MAN" product series launched in the period featured trendiness, status and quality are fully refined and enhanced with trendy design, body-fit cutting, high-quality fashion fabric and advanced production techniques. In addition to further promoting the high-end image of "Bosideng MAN", the series combined the element of prevailing trend and displayed the quality of modern men and their quest for ego through the themes of "Action（行動）", "Connection（連線）" and "Travel（旅行）", and demonstrate spectacularly the essence of "Quality of Life".

On September 16, 2010, the grand opening of a product launch show and trade fair for 2011 Spring/Summer of "Bosideng MAN" were held in Changshu International Convention and Trade Centre, and attended by more than 1,300 distributors and elites across the country to have a taste of new fashion items of the 2011 Spring/Summer "Bosideng MAN" product series. During four days of the trade fair, the total amount of sales order reached RMB205 million, representing an increase of approximately 46.9% when compared to the corresponding period last year. Returning to the theme of the spirit of modern business, "Bosideng MAN" illustrated the concept of simplicity via fashionable and unique designs as well as the quest for ego via quality and stylish designs. It gained wide recognition from the agents and franchisees.

“Rocawear”

The key step of the Group to develop the strategy of “non-seasonal apparel products” and become an integrated apparel brand operator was to obtain the agency right of “Rocawear” business in the Greater China Region (including China, Hong Kong, Macau Special Administrative Region and Taiwan) in the previous financial year. The joint venture of “Rocawear” has actively worked on the initial preparation for operation of “Rocawear” brand since its establishment. “Rocawear” brand formally entered the PRC market on September 3, 2010 and held its first product launch show in Shanghai. In the 2010 Fall/Winter new product launch show, “Rocawear” showed its fashion sense by using trendy expressions such as “Hip Hop (嘻哈)”, “Environmental (環保)” and “Science Fiction (科幻)” as themes. Featuring confidence, strive and bravery, “Rocawear” made use of trendy items including paillette, metals, artistic font and elaborated accessories, and took the show by storm with sharp colours, modern and detailed designs, high quality fabric as well as excellent cutting.

Bosideng’s international reputation grew and brand value hit record high

In recent years, the awareness and reputation of Bosideng continued to grow in the international market. Bosideng has always been highly recognized by international reputed organizations.

On July 2, 2010, the prize presentation ceremony of Credible Enterprise of China Accreditation 2010 jointly organized by Reputation Institute (China) and China Enterprise Reputation and Credibility Association (Overseas) was held in Hong Kong. The Company was elected as “Credible Enterprise” of China by over 500,000 consumers in mainland China, Hong Kong and Macau through internet and questionnaire. A total of 20 Chinese-owned and Hong Kong-owned enterprises were awarded with “Credible Enterprise” of China of the year.

Cooperation with brand spokespersons to diversify marketing strategies

Targeting different styles and market positions of all brands, the Group has adopted various flexible methods in promoting the brands. Various remarkable slogans in commercials and propaganda including “A Beautiful World Because of You (世界因你而美麗)”, “I Can Fly Higher (我要飛得更高)”, “Warm and Breathable, Thin and Cool (暖的透氣薄的有型)”, “Good Quality Worth (品質好才是真實惠)” and “Quality of Life, Great Minds Think Alike (品位生活，英雄所見)” obviously reflect the characteristics of “Bosideng”, “Snow Flying”, “Bengen”, “Kangbo” and “Bosideng MAN”, respectively.

During the reporting period, apart from launching TV commercials, the Group also has integrated resources from various aspects, including a combination of strategies such as establishing high-end flagship stores in major commercial centres, organizing product launch shows, sponsoring sports events, appointing celebrities as spokespersons, launching outdoor advertisements and websites, shop promotion, product display and sponsoring popular videos/concerts of artists and establishing VIP membership, so as to deliver its brand concept and the uniqueness of its products to consumers and enhance the recognition of the Group’s products among consumers in target markets.

"Bosideng MAN" promoted its brand by fully utilizing the popularity of celebrities. The "Night of Bosideng MAN - Leehom Wang MUSIC-MAN World Tour 2010" hosted and sponsored by "Bosideng MAN" was successfully held in Changshu Sports Centre in the evening of September 15, 2010. The Night of Bosideng MAN - Leehom Wang MUSIC-MAN World Tour represented a great step in the cooperation of brand marketing and upgrading. Leehom Wang's music made a more pleasant world; and Bosideng menswear made a more trendy and stylish lifestyle! Over 30,000 audiences, consisting of VIP members of "Bosideng MAN", business partners in different cities and fans of Leehom Wang enjoyed an unforgettable night of music.

Dedicating in innovative research and development in pursuit of perfections and excellence

The nature of apparel industry is fashion and creativity. Innovative and creative mind are the primary forces of transformation and upgrading of the apparel industry in the future. In this regard, the Group has committed and focused on innovative research and development and has been continuously developing technological research and development and product design systems. From styles, fabrics to concepts, the Group has been constantly innovating and upgrading its products. To further strengthen its design capability, the Group's product design team has also conducted market surveys from time to time and participated in various trade fairs and carefully analyzed sales performance to gain an insight into customer needs, thereby keeping abreast of the latest trends. In addition, the Group has invited famous designers from France, Korea and Hong Kong to provide on-site guidance. Excellent designers have also been sent to France and Italy to study and participate in international professional exhibitions, collect latest information and improve artistry.

As an enterprise unveiling to the world the trends in winter cold-resistant clothing on behalf of China for 14 consecutive years, the Group's product designs have provided an absolute trend direction for cold-resistant clothing in the PRC every year. The introduction of design concepts incorporating stylish, casual and sports elements in the down apparel industry to deliver a new concept of "light, thin, elegant" for down apparel, the launch of environmental friendly and ecological anti-bacterial down apparel integrating environmental protection and trendiness, and the launch of anti-bacterial down apparel with water-proof, oil-proof, stain-proof, antibacterial, fungus-resistant, odourless and self-cleaning characteristics through the application of international advanced "nano technology" in down apparel are testament to the repeated innovations of the Group which have led to significant progress and have also driven the upgrading of the entire down apparel industry of China.

"Bosideng MAN" possesses an excellent team of designers, and also cooperates with international renowned design companies. It has launched various product lines such as casual wear, business casual wear and formal suits to provide different clothing solutions for modern gentlemen and lead to a new concept of men's clothing. "Bosideng MAN" also provides high-quality tailor-made services to customers who are not satisfied with apparels in the market and have their own fashion insights. By providing a design platform to show their unique style, customers can choose their own patterns, fabrics, lining and buttons to express their unique insights and requirements to the professional designers of the Company to produce well-designed and unique apparels. This prestigious fashion style differentiates elite men from the common apparels.

New era of e-shopping by introducing ERP information system

The Group proactively improve its traditional business by leveraging on network information technology and e-commerce platform. ERP information engineering was introduced in the procedures such as order management, raw material examination, production and manufacturing, outsourcing and processing, storage and logistics and marketing services, forming a responsive and effective integrated supply chain, as well as reducing inventory and increasing logistic turnover rate. During the reporting period, the Group further optimized and adjusted basic hardware and system platform of its information system and improved data security. The software system was also optimized by establishing two versions of ERP system for its two major segments of down apparel products and non-down apparel products. By applying ERP system to mobile phones, ERP data can be sent through mobile phone text messages. As a result, unusual condition of the system can be supervised and notified by text messages through mobile phones, allowing relevant personnel to obtain important operating information in time and make prompt response to market changes.

After setting up e-commerce platform for the down apparel business, opening an official flagstore of "Bosideng" on mall.taobao.com and initiating the operation and management of online sales, the Group inaugurated the flagstore of "Bosideng MAN" on April 10, 2010 which marked the new era of e-shopping for "Bosideng MAN" and provided consumers with a more convenient and effective shopping experience. Consumers can buy their favourite clothes at home and experience the dressing style of "Bosideng MAN" easily.

Optimizing retail and distribution network to strengthen brand image

The Group has restructured its retail network of down apparel businesses significantly. While eliminating and replacing substandard distributors and retail shops with unsatisfactory performance, the Group was committed to formulating a reasonable overall planning, so as to promote constructive competition among different sales regions and improve operating results. The Group made adjustments to some of its down apparel stores to increase the number of specialty stores in response to the market condition. In particular, the number of specialty stores of "Bengen" increased after its independent management commenced. The Group also dedicated in enhancing its image by standardizing shop decoration and product display. The layout, lighting effects, furniture, services, decoration and ambience are uniformed and are in tune with fashionable trends.

The retail network of Bosideng menswear continued to expand. It has commenced to enter first tier cities as a breakthrough by leveraging on the experience of its development in second and third tier cities. The proportion of self-operating stores and franchised stores has increased for enhancing brand positioning, increasing market sharing and balancing of development between self-operating stores, franchised stores and regional distribution network. Taking grey as the main image colour of the brand, Bosideng menswear featured quality and taste. Products of different series with unified and harmonious designs are displayed elegantly on the cabinets and shelves with decorations corresponding to the brand image, creating a spacious, classical and unique shopping area.

Retail outlets of down business

Retail network composition by outlet type

Store types	**As at September 30, 2010**	As at March 31, 2010	Changes
Specialty stores			
- operated by the Group	**48**	7	+41
- operated/supervised by third party distributors	**5,052**	3,289	+1,763
	5,100	3,296	+1,804
Concessionary retail outlets			
- operated by the Group	**939**	988	-49
- operated/supervised by third party distributors	**1,374**	1,336	+38
	2,313	2,324	-11
Total	**7,413**	5,620	+1,793

Retail outlets of Bosideng menswear business

Retail network composition by outlet type

Store types	As at September 30, 2010	As at March 31, 2010	Changes
Specialty stores			
- operated by the Group	**38**	34	+4
- operated according to franchise agreement	**73**	56	+17
- operated by third party distributors	**359**	343	+16
	470	433	+37
Retail outlets			
- operated by the Group	**50**	39	+11
- operated according to franchise agreement	**61**	43	+18
- operated by third party distributors	**284**	244	+40
	395	326	+69
Total	**865**	759	+106

Retail network composition by geographic location

Sales Regions*	As at September 30,2010			As at March 31, 2010			Change		
	Down apparel	Menswear apparels	Total	Down apparel	Menswear apparels	Total	Down apparel	Menswear apparels	Total
Northern China areas	**3,927**	**440**	**4,367**	3,262	404	3,666	+665	+36	+701
Eastern China areas	**1,814**	**227**	**2,041**	1,189	181	1,370	+625	+46	+671
Central China area	**1,672**	**198**	**1,870**	1,169	174	1,343	+503	+24	+527
Total	**7,413**	**865**	**8,278**	5,620	759	6,379	+1,793	+106	+1,899

* *Northern China areas:* *the three north-eastern provinces, Shanxi, Shaanxi, Xinjiang, Sichuan, Chongqing, Inner Mongolia, Gansu, Ningxia, Tibet, Yunnan, Guizhou, Shandong, Beijing, Tianjin, Hebei, Qinghai*

Eastern China areas: *Jiangsu, Zhejiang, Shanghai, Anhui, Fujian*

Central China areas: *Henan, Hunan, Hubei, Jiangxi, Guangdong, Guangxi*

Financial Review

Revenue

For the six months ended September 30, 2010, the Group recorded a revenue of approximately RMB1,858.3 million (2009: approximately RMB1,564.9 million), representing an increase of 18.8% as compared with the corresponding period last year. The increase was mainly driven by (a) the 17.1% growth in branded down apparel business, due to the effective sales plan to control the inventory level and selling price in the off-peak season; and (b) the 130.0% growth in menswear apparel business, contributed by the full period of revenue recorded since the acquisition of the menswear apparel business in May 2009 and the increase in number of stores and success in brand promotion activities for "Bosideng MAN".

A breakdown of the revenue by products is as below:

Sales analysis by products

	For the six months ended September 30,				
	2010		2009		
	(RMB million)	**% of total revenue**	(RMB million)	% of total revenue	Changes in %
Branded down apparel					
• Outright sales	**1,011.1**	**54.4%**	886.4	56.7%	14.1
• Consignment sales	**194.5**	**10.5%**	141.4	9.0%	37.6
• Others*	**3.6**	**0.2%**	4.5	0.3%	(20.0)
Total down apparel revenue	**1,209.2**	**65.1%**	1,032.3	66.0%	17.1
OEM management	**518.3**	**27.9%**	475.7	30.4%	9.0
Menswear apparel	**130.8**	**7.0%**	56.9	3.6%	130.0
Total revenue	**1,858.3**	**100%**	1,564.9	100%	18.8

* *represents sales primarily of raw materials related to down apparel products and non-seasonal apparel products.*

A majority of the branded down apparel were sold through outright sales, which accounted for 83.6% of the Group's total down apparel revenue, as compared to 85.9% in the same period last year. The percentage reflected that the sales method of outright sales in off-peak season was relatively well received by the market.

A revenue analysis of down apparel sales by brand is as below:

Revenue analysis of down apparel sales by brand

	For the six months ended September 30,				
	2010		2009		
Brands	**(RMB million)**	**% of branded down apparel sales**	(RMB million)	% of branded down apparel sales	Changes in %
Bosideng	**635.0**	**51.8%**	509.3	48.8%	24.7
Snow Flying	**211.6**	**17.3%**	198.6	19.0%	6.5
Bengen	**217.4**	**17.7%**	202.0	19.3%	7.6
Kangbo	**140.0**	**11.4%**	122.1	11.7%	14.7
Other brands	**18.9**	**1.5%**	8.3	0.8%	127.7
Others	**3.6**	**0.3%**	4.5	0.4%	(20.0)
Sub-total	**1,226.5**	**100%**	1,044.8	100%	17.4
Sales rebates	**(17.3)**		(12.5)		
Total down apparel revenue	**1,209.2**		1,032.3		

In an effort to strengthen differentiation amongst various brands, the Group adjusted its product offerings under its portfolio of brands. While the Group's core brand, "Bosideng" brand, continues to be marketed as a medium to high end brand, targeting customers with greater consumption power and who seek trendy and fashionable designs, "Snow Flying" brand appeals to younger customers with more energetic lifestyles. "Kangbo" and "Bengen" branded apparel offer colourful, youthful down apparel lines for mainly men and ladies, respectively, and is targeted at the mass market. As a result of such brand positioning strategy, "Bosideng" branded apparel remained the highest contributor and contributed 51.8% or approximately RMB635.0 million of the total branded down apparel sales. "Snow Flying" branded apparel contributed 17.3% or approximately RMB211.6 million of the total branded down apparel sales. "Kangbo" and "Bengen" recorded revenues of RMB140.0 million and RMB217.4 million, which represented 11.4% and 17.7% of the total branded down apparel sales, respectively, of which "Bengen" became the second largest contributor of the down apparel sales.

Cost of sales and gross margin

During the period under review, cost of sales decreased slightly as a percentage of revenue as compared to the previous year. It amounted to approximately RMB1,154.0 million, or 62.1% of the Group's revenue, as compared to approximately RMB1,040.0 million, or 66.5% of the Group's revenue, in the same period last year. This is mainly attributable to the Group's strategy of maintaining profitability of branded down apparel and the increase in sales proportion contributed by self owned stores under menswear business.

The sales margin of branded down apparel, OEM management and menswear business for the period under review was 46.0%, 16.6% and 48.0%, respectively, compared to same period of last year was 39.2%, 20.8% and 37.8%, respectively.

Fair value changes on derivative financial instruments

During the period under review, no fair value change on derivative financial instruments generated, as compared to approximately RMB25.8 million one-off impairment loss in the same period last year.

Distribution expenses

The Group's distribution expenses, mainly comprising advertising, promotion, concessionaire fees and salary and welfare, amounted to approximately RMB451.7 million, representing an increase of 39.1%, compared with approximately RMB324.7 million in the same period last year. The increase of actual spending was mainly due to the increase in number of store and headcount for the development of non-down apparels business and the expansion of the specialty stores operated by the Group. In terms of percentage to revenue, distribution expenses constituted 24.3% of total revenue, signifying a slight rise of 3.5 percentage points compared with 20.8% the same period last year.

Administration expenses

The administrative expenses of the Group, which were mainly comprised of bad and doubtful debts provision, salary and welfare, travel, consulting fee and office expenses, amounted to approximately RMB162.9 million, an increase of 9.5%, compared with approximately RMB148.7 million in the same period last year. The increase of expenses was mainly caused by the rise in depreciation from additional buildings for development of office building. During the period, administration expenses accounted 8.8% of the Group's revenue, representing a slight decrease of 0.7 percentage point as compared with 9.5% in the same period last year.

Operating profit

For the six months ended September 30, 2010, the Group's operating profit increased by 175.7% to RMB84.0 million which mainly caused by effective sales plan with a strong ERP system to control selling price and cost. Operating profit margin was 4.5%, an increase of 2.6 percentage point as compared with 1.9% in the same period last year.

Finance income

During the period under review, the Group's finance income recognizing in profit or loss increased to approximately RMB102.2 million from approximately RMB51.3 million in the same period last year. The increase in finance incomes due to disposal of available-for-sale financial assets and interest income on available-for-sale financial assets.

Finance costs and taxation

The Group's finance costs for the period under review increased by 508.4% to RMB8.7 million due to the increase in net foreign exchange loss arising from the devaluation of the US dollar against RMB for the export sales receivables for one of the Group's subsidiary.

For the six months ended September 30, 2010, income tax expenses increased from RMB19.7 million to RMB67.0 million. This was mainly attributable to an additional provision for withholding tax of RMB31.0 million made on the undistributed retained earnings of the Group's PRC subsidiaries during the six months ended September 30, 2010.

Liquidity and financial resources

The Group adopted prudent funding and treasury management policies while maintaining a healthy overall financial position. The Group's source of funding was cash generated from operating activities.

For the six months ended September 30, 2010, the Group's net cash used in operating activities amounted to approximately RMB716.8 million, compared to a net cash inflow of approximately RMB1,605.2 million as at March 31, 2010. Cash and cash equivalents as at September 30, 2010 was in the amount of approximately RMB2,329.1 million, compared to approximately RMB3,127.6 million as at March 31, 2010. The decrease in cash and cash equivalents was due to the cash used in the payment of final dividend for the financial year ended March 31, 2010.

In order to maximize returns on the Group's available cash reserves, the Group had available-for-sales financial assets, which comprised principal guaranteed short-term investments with banks in the PRC. Available-for-sale financial assets have expected but not guaranteed returns ranging from 2.4% to 4.7% per annum.

As at September 30, 2010, the Group had no outstanding loans and bank borrowings. The gearing ratio (total debt/total equity) of the Group was zero.

Capital commitments

As at September 30, 2010, the Group had a capital commitments which amounting to approximately RMB17.5 million (March 31, 2010: Nil).

Operating lease commitment

As at September 30, 2010, the Group had a non-cancellable operating lease commitments which amounting to approximately RMB321.1 million (March 31, 2010: approximately RMB290.4 million).

Contingent liabilities

As at September 30, 2010, the Group had no material contingent liabilities.

Pledge of assets

As at September 30, 2010, bank deposits amounting to approximately RMB26.7 million had been pledged to secure the Group's banking facilities in relation to bills payable (March 31, 2010: approximately RMB2.2 million).

Financial management and treasury policy

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

Foreign currency exposure

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

As at September 30, 2010, the Directors of the Company considered the Group's foreign exchange risk to be insignificant.

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

Human Resources

As at September 30, 2010, the Group had approximately 2,442 full-time employees, including 178 employees under non-seasonal apparel business (March 31, 2010: 1,926 full-time employees, including 122 employees under non-seasonal apparel business). Staff costs for the six months ended September 30, 2010 (including Directors' remuneration in the form of salaries and other allowances) was approximately RMB142.3 million (2009: approximately RMB 109.4 million). This increase was mainly due to the increase of headcount to support the development of non-down apparel business including Bosideng menswear as well as expansion of the specialty stores operated by the Group. The Group's salary and bonus policy is primarily based on duties, performance and length of service of each individual employee with reference to the prevailing market conditions.

To provide a comfortable and harmonious living environment to employees, the Group renovated the staff dormitory according to the standard of three-star hotel. Each room is equipped with television, telephone, internet cable and air-conditioner and provided with hotel-style management services. The renovation project was completed in June 2010 and all testing and examination were passed. University graduates, professional technicians and management members who come from other cities and do not possess a living place in Changshu are entitled to apply for accommodation once being employed by the Company. Currently, all employees are living in the dormitory.

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

As at September 30, 2010, no share option was granted by the Group under the Share Option Scheme.

Business Outlook

Going forward, the Group holds a cautiously positive outlook. The local consumption pattern and spending power will keep improving in the next one or two decades, and the development of apparel industry of the PRC is stepping towards a new era with a new focus on brand development and upgrading after the expansion of market scale. The Group will leverage on the competitive edges of "Bosideng" brand to integrate the style positioning, design, research and development as well as sales channels of its brands comprehensively with a global perspective to ensure the product styles are united but remain their own uniqueness and to satisfy different demands from consumers. In the next three to five years, the Group will continue to promote the development of non-seasonal apparel business, increase the proportion of the non-down apparel business in overall sales and further expand and optimize the international sales network, so as to transform Bosideng into an international well-known integrated apparel brand operator.

The Group is poised to achieve these goals through a business strategy that contains the following key aspects:

Speeding up the development of non-down apparel businesses

While consolidating and maintaining its market shares in the down apparel industry and its satisfactory results, the Group will continue to fully implement and facilitate the strategy of developing non-seasonal products to speed up the development of non-down apparel businesses and increase the proportion of the non-down apparel businesses in overall sales.

As the top priority in the development of non-down apparel businesses, the Group will focus on the sound development of Bosideng menswear in order to achieve stable and rapid growing results and high recognition so as to become a leading menswear brand in the PRC.

After the first product launch show in China, "Rocawear" brand has moved on with its preparation work, including selection of store location, targeting to open its first store in China during the year and introduce the brand to domestic customers and commence its operation in the Greater China Region as soon as possible.

The Group will also enlarge its brand and product portfolio by actively identifying non-down apparel brands with growth potential and good reputation for acquisitions, mergers or cooperation. It will not only expedite the development of non-down apparel business and offer high quality products to different consumer groups all-year-round but also realize the transformation of Bosideng into an international well-known integrated apparel brand operator.

Promoting brand portfolio strategy to enhance brand value

In order to satisfy different demands from consumers and enhance the overall value of our brands, the Group will integrate the style positioning, design, research and development as well as sales channels of its brands in a comprehensive way to ensure the product styles are united but remain their own uniqueness.

Based on the planning of its brand portfolio development strategy, the Group repositioned "Bengen" under independent management. "Bengen" brand has developed rapidly in these two years and recorded a significant growth in operating results. Therefore, the Group will continue to formulate reasonable plans on general operational management of each brand under the Group and promote the development strategy of its brand portfolio in the next few years. The Group will further enrich the cultural significance and upgrade the brand positioning of "Bosideng". On the basis of strengthening its position as the top high-end brand in the PRC down apparel market, the Group will extend the influence of "Bosideng" brand to other non-down apparel area (such as "Bosideng MAN") so as to transform "Bosideng" into an established international well-known brand. At the same time, the Group will make full efforts to drive the respective development of dominant brands such as "Snow Flying", "Kangbo" , "Bengen" and "Rocawear", and such other brands newly acquired by the Group by ways of mergers and acquisitions, distributorship, joint ventures and sharing of retail channels.

Enhancing design and research and development capabilities of green fashion

Creative and innovative designs contribute to the establishment of an excellent brand, and a leading brand in market trend can lead to the transformation and upgrading of the apparel industry. The Group will continue to expand and strengthen its research, design and development team. The Group has also planned to cooperate with local and international renowned research institutions to develop and apply new fabric, which aims to raise the product competitiveness and added-value of the brand. The Group will create and offer space and platform for its designers to develop their art potential and stimulate their inspiration. Their design capabilities will also be enhanced through various exchange, learning and cooperation opportunities with local and international renowned design houses and the leading position of the Group in the PRC cold-resistant clothing market will be consolidated. The Group will also expand its non-down apparel products and business and further consolidate its leadership in non-seasonal market by leveraging on its excellent and innovative design capabilities.

Nowadays, as low-carbon practice has become one of the business values in the international supply chain, different industries have been formulating their own environmental friendly low-carbon practices. Apparel industry is no exception. Market demand for low-carbon textiles will be growing and development of low-carbon textiles and green textiles has become key strategies for development of apparel brands in the global market. Low-carbon practice has become the driver for the upgrade of the industry. As a leader in the industry, it is a responsibility of Bosideng to promote the development of the PRC apparel industry. The Group will further strengthen the research and development of environmental friendly products with low-carbon, aiming to reduce the consumption of materials and carbon emission substantially by using advanced technology, so as to show the international apparel industry the contribution of the PRC apparel industry towards environmental protection.

Increasing market share by strengthening marketing efforts

The Group will further increase its marketing efforts based on the demand of customers in order to effectively expand the market, increase its market share and maximize profitability of the Group's business. Depending on the different styles and market positioning of various brand products, the Group will selectively adopt various flexible strategies to promote each of the brands under the Group. Apart from the original promotion methods such as media commercials, launching outdoor advertisements, organizing product launch shows, appointing celebrities as spokespersons, sponsoring sports events, outdoor advertisements and websites, shop promotion and product display, the Group will place more emphasis on the interactions with consumers. All retail outlets will organize different activities such as trial experience, exhibitions and offering privileges as well as providing high added-value services, including VIP membership and tailor-made services, so as to demonstrate the positioning and product images of each brand under the Group in a comprehensive way, enhance the vitality and influence of the brand and increase the market shares of its products.

The Group will increase efforts in expanding sales channels and building its image. In addition to plotting distribution networks appropriately, including the proportion and geographical location of different types of stores, the Group will also engage famous store designers to design a more stylish image and expand the number of large flagship stores in major cities in due course. The flagship stores can provide a larger and more comfortable shopping environment for the consumers. The Group will open "gallery-styled" large brand flagship stores to display the full range of products under the Bosideng brands, and utilize its new image visual system for retail outlets to provide a complete shopping experience to consumers. The Group will continue to integrate and optimize sales channels of the down apparel products. For non-down apparel products, the Group will focus on market expansion. Among which, the number of retail outlets of "Bosideng MAN" is expected to grow in a more rapid pace and increase to approximately 1,200 in 2011, and the proportion of self-operating stores and franchised stores will also increase. For "Rocawear" brand business, the first store in China is expected to open in the year and is planned to open more than 300 "Rocawear" freestanding stores or shop-in-shop in the Greater China Region by 2013.

The Group will continuously develop and operate e-commerce platform to echo the current online shopping trend, and to strive for higher sales results for the Company.

Optimizing information system to search for optimized inventory turnover rate

Overstocking is a common problem of the apparel industry, affecting the liquidity and development of companies. The Group regards highly the importance of inventory control and management and our inventory level of finished products is lower than other industry players. The Group will further decrease the inventory level and optimize the inventory turnover rate through the improvements in product design, sales channels and logistics. As a part of the inventory management of Bosideng, no separate warehouses are provided for supermarkets, shopping malls and sales outlets, and products are centrally distributed by regional logistic centers. Frontline staff members are required to closely monitor the stock level and keep abreast with the latest information of the best selling styles, colors and sizes of the particular seasons and report on the sales performance in time, which will be used as the indicators of future orders, in order to lower the inventory level. However, this also imposes a stringent requirement on the ERP system of the Group. A convenient and effective information system providing timely, accurate and complete information is the key for maintaining efficiency of operations, including replenishment, distribution and replacement and lowering the inventory level. Therefore, the Group will further optimize its information system and expand its coverage.

Interim Dividend

To offer a higher reward to the shareholders, the Board has recommended the payment of an interim dividend of RMB6.5 cents per ordinary share for the six months ended September 30, 2010. The proposed dividend payment is payable on December 24, 2010 to shareholders whose names appear on the register of members of the Company on December 16, 2010 and in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China on November 29, 2010.

Closure of Register of Members

The register of members of the Company will be closed from December 14, 2010 to December 16, 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend payable on December 24, 2010, all duly completed transfer forms must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 13, 2010.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended September 30, 2010, the Company has not purchased, sold or redeemed any of its listed shares.

Code on Corporate Governance Practices

The Directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices ("Code"), as set out in Appendix 14 to the Listing Rules for the six months ended September 30, 2010, except for Code provision A.2.1, which provides that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Board will also continue to review and monitor the practices of the Company for the purposes of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Mr. Gao Dekang is the Chairman and CEO of the Company and 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 for efficient business planning and decisions of the Company. As all major decisions 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, 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

On behalf of the Board, I wish to express my sincere gratitude to our shareholders, distributors, customers and business partners for their continued support, and to our employees for their dedication and hard work.

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

Hong Kong, November 29, 2010

As at the date of this announcement, the executive Directors are Mr. Gao Dekang, Ms. Mei Dong, Dr. Kong Shengyuan, Ms. Gao Miaoqin, Ms. Huang Qiaolian and Ms. Wang Yunlei, the non-executive Director is Mr. Shen Jingwu, and the independent non-executive Directors are Mr. Dong Binggen, Mr. Jiang Hengjie, Mr. Wang Yao and Mr. Ngai Wai Fung.