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波司登 BOSIDENG

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, 2020

HIGHLIGHTS

- Revenue increased by 5.1% to approximately RMB4,661.1 million.
- Gross profit margin increased by 4.3 percentage points to 47.8%.
- Operating profit margin increased by 3.5 percentage points to 14.3%.
- Profit attributable to equity shareholders of the Company increased by 41.8% to approximately RMB486.0 million.
- The Board declared payment of an interim dividend of HKD3.5 cents 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, 2020, together with the unaudited comparative figures for the corresponding period in 2019. These interim financial statements have not been audited, but have been reviewed by the auditors, KPMG, and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2020 – unaudited

	<i>Note</i>	Six months ended September 30, 2020 RMB'000	Six months ended September 30, 2019 RMB'000
Revenue	6	4,661,116	4,436,283
Cost of sales		<u>(2,433,774)</u>	<u>(2,506,671)</u>
Gross profit		2,227,342	1,929,612
Other income	7	46,235	50,885
Selling and distribution expenses		(1,208,974)	(1,119,010)
Administrative expenses		(390,342)	(335,755)
Impairment losses on goodwill and intangible assets		–	(48,000)
Other expenses		<u>(7,897)</u>	<u>(10)</u>
Profit from operations		666,364	477,722
Finance income		103,701	109,333
Finance costs		<u>(122,349)</u>	<u>(100,814)</u>
Net finance (costs)/income	9	(18,648)	8,519
Profit before taxation		647,716	486,241
Income tax	10	<u>(156,361)</u>	<u>(125,772)</u>
Profit for the period		491,355	360,469

	Six months ended September 30, 2020 RMB'000	Six months ended September 30, 2019 RMB'000
Other comprehensive income for the period:		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserve (non-recycling)	<u>(6,397)</u>	<u>(61,463)</u>
	(6,397)	(61,463)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	37,360	(29,932)
Other financial assets: net movement in fair value reserve (recycling)	<u>–</u>	<u>11,332</u>
	37,360	(18,600)
Other comprehensive income for the period, net of tax	<u>30,963</u>	<u>(80,063)</u>
Total comprehensive income for the period	<u>522,318</u>	<u>280,406</u>

	<i>Note</i>	Six months ended September 30, 2020 RMB'000	Six months ended September 30, 2019 RMB'000
Profit attributable to:			
Equity shareholders of the Company		486,031	342,664
Non-controlling interests		<u>5,324</u>	<u>17,805</u>
Profit for the period		<u><u>491,355</u></u>	<u><u>360,469</u></u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		516,994	262,601
Non-controlling interests		<u>5,324</u>	<u>17,805</u>
Total comprehensive income for the period		<u><u>522,318</u></u>	<u><u>280,406</u></u>
Earnings per share	<i>11</i>		
– basic (RMB cents)		<u>4.54</u>	<u>3.23</u>
– diluted (RMB cents)		<u>4.51</u>	<u>3.19</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2020 – unaudited

	<i>Note</i>	At September 30, 2020 <i>RMB'000</i>	At March 31, 2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,426,680	1,390,404
Right-of-use assets		688,246	782,686
Intangible assets and goodwill	12	1,635,981	1,654,290
Investment properties		262,761	271,203
Prepayments		95,822	99,152
Other financial assets	16	140,030	148,868
Deferred tax assets		565,161	562,512
		<u>4,814,681</u>	<u>4,909,115</u>
Current assets			
Inventories	13	2,604,951	2,725,914
Trade and bills receivables	14	3,816,916	1,196,743
Deposits, prepayments and other receivables	15	1,477,975	970,827
Receivables due from related parties		34,719	96,824
Other financial assets	16	3,204,488	3,272,759
Pledged bank deposits		314,804	414,391
Time deposits with maturity over three months		554,500	153,500
Cash and cash equivalents		1,717,606	3,638,680
		<u>13,725,959</u>	<u>12,469,638</u>
Current liabilities			
Current income tax liabilities		473,267	364,803
Interest-bearing borrowings		631,283	817,841
Lease liabilities		239,792	260,825
Trade, bills and other payables	17	4,546,210	3,241,306
Payables due to related parties		47,180	4,831
Derivative financial liabilities		533	533
		<u>5,938,265</u>	<u>4,690,139</u>
Net current assets		<u>7,787,694</u>	<u>7,779,499</u>
Total assets less current liabilities		<u>12,602,375</u>	<u>12,688,614</u>

	At September 30, 2020 <i>RMB'000</i>	At March 31, 2020 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	139,458	139,807
Lease liabilities	394,134	475,287
Convertible bonds	1,631,355	1,670,895
Non-current other payables	69,687	—
	<u>2,234,634</u>	<u>2,285,989</u>
Net assets	<u><u>10,367,741</u></u>	<u><u>10,402,625</u></u>
Capital and reserves		
Share capital	808	806
Reserves	10,189,000	10,212,707
Equity attributable to equity shareholders of the Company	<u>10,189,808</u>	<u>10,213,513</u>
Non-controlling interests	<u>177,933</u>	<u>189,112</u>
Total equity	<u><u>10,367,741</u></u>	<u><u>10,402,625</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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.

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 (the “**Listing Rules**”), including compliance with the International Accounting Standard (“**IAS**”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorized for issue on November 26, 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended March 31, 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending March 31, 2021. Details of the 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 an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended March 31, 2020. The condensed consolidated interim 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**”).

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, 2020 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 annual financial statements for the year ended March 31, 2020 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated June 23, 2020.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendment to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

Amendment to IFRS 3 did not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. Impacts of the adoption of the amendment to IFRS 16 are discussed below:

Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at April 1, 2020.

4 SEASONALITY OF OPERATIONS

The Group's down apparel segment is subject to seasonal fluctuations. As a result, the sales volumes and revenue in the second half of the financial year are normally substantially higher than those during the first half of the financial year.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the 2019/20 annual financial statements.

6 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four major operating segments. Certain operating segments have been aggregated to form the following reportable 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.
- Ladieswear apparels – The ladieswear apparel segment carries on the business of sourcing and distributing branded ladieswear apparels.
- Diversified apparels – The diversified apparel segment carries on the business of sourcing and distributing non-seasonal apparels, including branded menswear, school uniform and children's wear.

(a) **Disaggregation of revenue**

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

	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of apparels	4,656,376	4,430,786
Revenue from other sources		
Gross rentals from investment properties	<u>4,740</u>	<u>5,497</u>
Consolidated revenue	<u>4,661,116</u>	<u>4,436,283</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 6(b).

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

(b) Segment results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period are set out below:

	For the six months ended September 30, 2020				
	Down apparels RMB'000	OEM management RMB'000	Ladieswear apparels RMB'000	Diversified apparels RMB'000	Group RMB'000
Disaggregated by timing of revenue recognition					
Point in time	2,988,665	1,228,688	412,446	31,317	4,661,116
Revenue from external customers	2,988,665	1,228,688	412,446	31,317	4,661,116
Inter-segment revenue	9,242	3,651	–	5,920	18,813
Reportable segment revenue	2,997,907	1,232,339	412,446	37,237	4,679,929
Reportable segment profit	474,216	174,040	74,993	(13,629)	709,620
Amortization of intangible assets	–	–	(18,309)	–	(18,309)
Impairment losses on goodwill	–	–	–	–	–
	For the six months ended September 30, 2019				
	Down apparels RMB'000	OEM management RMB'000	Ladieswear apparels RMB'000	Diversified apparels RMB'000	Group RMB'000
Disaggregated by timing of revenue recognition					
Point in time	2,532,984	1,348,837	505,903	48,559	4,436,283
Revenue from external customers	2,532,984	1,348,837	505,903	48,559	4,436,283
Inter-segment revenue	–	24,765	–	107,164	131,929
Reportable segment revenue	2,532,984	1,373,602	505,903	155,723	4,568,212
Reportable segment profit	307,444	165,085	56,777	68,238	597,544
Amortization of intangible assets	–	–	(26,726)	–	(26,726)
Impairment losses on goodwill	–	–	(48,000)	–	(48,000)

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

	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	4,679,929	4,568,212
Elimination of inter-segment revenue	(18,813)	(131,929)
Consolidated revenue	<u>4,661,116</u>	<u>4,436,283</u>
	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Profit before income tax		
Reportable segment profit	709,620	597,544
Amortization expenses	(18,309)	(26,726)
Government grants	25,344	36,224
Impairment losses	–	(48,000)
Finance income	103,701	109,333
Finance costs	(122,349)	(100,814)
Unallocated expenses	(50,291)	(81,320)
Consolidated profit before income tax	<u>647,716</u>	<u>486,241</u>

7 **OTHER INCOME**

	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Royalty income (i)	20,891	14,661
Government grants (ii)	25,344	36,224
Other income	<u>46,235</u>	<u>50,885</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 RMB25,344,000 during the six months ended September 30, 2020 (six months ended September 30, 2019: RMB36,224,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.

8 EXPENSES BY NATURE

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

	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Cost of inventories recognized as expenses included in cost of sales	2,433,774	2,506,671
Depreciation		
– assets leased out	978	2,740
– owned property, plant and equipment	192,956	150,773
– right-of-use assets	146,084	80,253
Amortization charge		
– intangible assets	18,309	26,726
Impairment losses on goodwill and intangible assets	–	48,000
Lease charge of short-term leases exempt from capitalization under IFRS 16	25,482	18,364
Variable lease payments	109,796	190,608
Provision for impairment of bad and doubtful debts	16,542	18,913

9 NET FINANCE (COSTS)/INCOME

	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Recognized in profit or loss:		
Interest income on bank deposits	24,240	11,874
Interest income on financial assets measured at amortized cost	53,197	52,627
Interest income on debt instruments classified as FVOCI (recycling)	–	11,869
Total interest income on financial assets not at fair value through profit or loss (“FVPL”)	77,437	76,370
Realized/unrealized net gain in financial assets classified as FVPL	26,264	26,970
Net foreign exchange gain	–	5,993
Finance income	103,701	109,333
Interest on interest-bearing borrowings and discounted bills	(32,493)	(29,276)
Interest on convertible bonds	(35,378)	–
Disposal loss of debt instruments classified as FVOCI (recycling)	–	(57,471)
Bank charges	(5,141)	(5,530)
Interest expenses on lease liabilities	(17,060)	(8,537)
Net foreign exchange loss	(32,277)	–
Finance costs	(122,349)	(100,814)
Net finance (costs)/income recognized in profit or loss	(18,648)	8,519

10 INCOME TAX

Income tax in profit or loss represents:

	For the six months ended	
	September 30,	
	2020	2019
	RMB'000	RMB'000
Current tax expenses		
Provision for income tax	157,227	158,161
Deferred tax benefit		
Origination of temporary differences	(866)	(32,389)
	<u>156,361</u>	<u>125,772</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands or the BVI.
- (ii) No tax provision has been made for Bosideng UK Limited and Bosideng Retail Limited, as they do not have assessable profits subject to any income tax in the United Kingdom during the period.
- (iii) The provision includes provision for PRC income tax and provision for HK income tax. Provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of each of the Group’s subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. Provision for HK income tax is calculated at Hong Kong Profits Tax rate of 16.5% on the estimated assessable Hong Kong profits for the period (six months ended September 30, 2019: 16.5%).

For the six months ended September 30, 2020, the standard income tax rate for all domestic companies established in the PRC was 25%, except for Shanghai Bosideng Information Technology Co., Ltd., a software enterprise in the PRC, and Jiangsu Bosideng Supply Chain Co., Ltd., an enterprise in the PRC, which provides services for procurement, production planning, order management, storage and logistics management and services to the companies of the Group. Each of the companies was granted a preferential rate of 15% for high-tech enterprises for three years starting from 2019.

- (iv) Under the Enterprise Income Tax Law (“EIT Law”) and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated beginning on January 1, 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the tax arrangement between the mainland China and Hong Kong Special Administrative Region, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of the equity interest of a PRC resident enterprise is entitled to a reduced dividend withholding tax rate of 5%.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended September 30, 2020 is based on the profit attributable to ordinary equity shareholders of the Company of RMB486,031,000 (six months ended September 30, 2019: RMB342,664,000) and the weighted average number of ordinary shares of 10,694,446,000 (six months ended September 30, 2019: 10,621,882,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended September 30, 2020 is based on the profit attributable to equity shareholders of the Company of RMB486,031,000 (six months ended September 30, 2019: RMB342,664,000) and the weighted average number of ordinary shares of 10,774,424,000 (six months ended September 30, 2019: 10,746,896,000), after adjusting for the effect of the Company's share-based payment arrangements. The potential ordinary shares in respect of the written put option issued to the non-controlling equity shareholder of a subsidiary of the Group and convertible bonds issued on December 17, 2019 were anti-dilutive.

12 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Customer	Trademarks	Total
	RMB'000	relationships	RMB'000	RMB'000
		RMB'000		
Cost:				
At March 31, 2020 and September 30, 2020	1,708,151	648,822	633,795	2,990,768
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Amortization and impairment losses:				
At March 31, 2020	(554,741)	(626,101)	(155,636)	(1,336,478)
Amortization charge for the period	-	(2,463)	(15,846)	(18,309)
Impairment losses	-	-	-	-
	-----	-----	-----	-----
At September 30, 2020	(554,741)	(628,564)	(171,482)	(1,354,787)
	-----	-----	-----	-----
Net book value:				
At September 30, 2020	1,153,410	20,258	462,313	1,635,981
	=====	=====	=====	=====
At March 31, 2020	1,153,410	22,721	478,159	1,654,290
	=====	=====	=====	=====

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

Impairment testing for cash-generating unit containing goodwill

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

	At September 30, 2020 RMB'000	At March 31, 2020 RMB'000
Gross value		
Menswear	292,741	292,741
Ladieswear – <i>JESSIE</i> brand	484,312	484,312
Ladieswear – <i>BUOU BUOU</i> brand	525,137	525,137
Ladieswear – Tianjin Ladieswear	405,961	405,961
	<u>1,708,151</u>	<u>1,708,151</u>
Accumulated impairment losses		
Menswear	(292,741)	(292,741)
Ladieswear – <i>JESSIE</i> brand	(141,000)	(141,000)
Ladieswear – <i>BUOU BUOU</i> brand	(106,000)	(106,000)
Ladieswear – Tianjin Ladieswear	(15,000)	(15,000)
	<u>(554,741)</u>	<u>(554,741)</u>
Net value		
Menswear	–	–
Ladieswear – <i>JESSIE</i> brand	343,312	343,312
Ladieswear – <i>BUOU BUOU</i> brand	419,137	419,137
Ladieswear – Tianjin Ladieswear	390,961	390,961
	<u>1,153,410</u>	<u>1,153,410</u>

13 INVENTORIES

	At September 30, 2020 RMB'000	At March 31, 2020 RMB'000
Raw materials	657,290	446,180
Work in progress	22,887	15,946
Finished goods	1,924,774	2,263,788
	<u>2,604,951</u>	<u>2,725,914</u>

14 TRADE AND BILLS RECEIVABLES

	At September 30, 2020 <i>RMB'000</i>	At March 31, 2020 <i>RMB'000</i>
Trade receivables	3,937,119	1,254,898
Bills receivable	69,083	114,589
Less: Allowance for doubtful debts	<u>(189,286)</u>	<u>(172,744)</u>
	<u>3,816,916</u>	<u>1,196,743</u>

The gross carrying amount of trade and bills receivables from contract with customers amounted to RMB4,006,202,000 as at September 30, 2020.

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

As at September 30, 2020, the Group endorsed certain bank acceptance bills totaling RMB106,950,000 (March 31, 2020: RMB167,299,000) to suppliers for settling trade payables of the same amount on a full recourse basis. Among these, the Group has derecognized RMB87,598,000 (March 31, 2020: RMB87,927,000) of bills receivable and the payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The maximum exposure arising from the Group's continuing involvement in the endorsed bills and the undiscounted cash flows to repurchase these endorsed bills equals to their carrying amounts. The Group considers that the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Ageing analysis

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

	At September 30, 2020 <i>RMB'000</i>	At March 31, 2020 <i>RMB'000</i>
Within credit terms	3,533,068	841,114
1 to 3 months past due	109,420	270,393
Over 3 months but less than 6 months past due	95,129	58,161
Over 6 months but less than 12 months past due	67,850	14,818
Over 1 year past due	<u>11,449</u>	<u>12,257</u>
	<u>3,816,916</u>	<u>1,196,743</u>

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At September 30, 2020 RMB'000	At March 31, 2020 RMB'000
Deposits	660,859	597,210
Prepayments for materials and processing fee	424,805	208,840
Prepayments for other services	161,856	22,077
	586,661	230,917
Third party other receivables:		
– VAT recoverable	140,314	96,252
– Advances to employees	79,086	34,786
– Others	11,055	11,662
	230,455	142,700
Total	1,477,975	970,827

16 OTHER FINANCIAL ASSETS

	<i>Note</i>	At September 30, 2020 RMB'000	At March 31, 2020 RMB'000
Non-current			
Equity securities designated as FVOCI (non-recycling)	(b)	109,682	118,211
Financial assets measured at amortized cost	(a)	30,348	30,657
		140,030	148,868
Current			
Financial assets measured at amortized cost	(a)	1,532,468	2,713,161
Financial assets classified as FVPL	(c)	1,672,020	559,598
		3,204,488	3,272,759
Total		3,344,518	3,421,627

- (a) Financial assets measured at amortized cost are principal guaranteed short-term investments with banks in the PRC. These investments have expected but not guaranteed returns, ranging from 1.82% to 3.9% per annum (March 31, 2020: 1.3% to 6.12%).

During the period, the interest income of investments with banks of RMB53,197,000 was recognized in finance income (six months ended September 30, 2019: RMB52,627,000).

- (b) On February 9, 2018, Shuo Ming De Investment Co., Ltd. (“**Shuo Ming De**”), a subsidiary of the Group, subscribed for 12,184,230 non-public issued shares of Jinhong Fashion Group Co., Ltd. (formerly known as V-GRASS Fashion Co., Ltd.) (Shanghai Stock Exchange stock code: 603518) (“**Jinhong Group**”) for RMB224,921,000. The Group designated its investment in Jinhong Group as FVOCI (non-recycling), as it is held as a long-term investment instead of being traded for short-term gains. No dividends were received on this investment during the six months ended September 30, 2020 (six months ended September 30, 2019: Nil).

During the period, the changes in fair value of this investment, after tax effect of RMB6,397,000 was recognized as a loss in other comprehensive income (six months ended September 30, 2019: RMB61,463,000).

- (c) Financial assets classified as FVPL represent listed equity investments and short-term investments with banks.

(i) Listed equity investments

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

During the period, the Group did not hold any listed equity investments other than investments in Jinhong Group, therefore, no changes in fair value has been recognized in profit or loss (six months ended September 30, 2019: gain of RMB13,653,000).

(ii) Short-term investments with banks

Short-term investments with banks with no guarantee of principal and interest were classified as FVPL. During the period, the net realized/unrealized gain in these investments of RMB26,264,000 was recognized as a gain in finance income (six months ended September 30, 2019: net realized/unrealized gain of RMB16,776,000).

17 TRADE, BILLS AND OTHER PAYABLES

	At September 30, 2020 RMB'000	At March 31, 2020 RMB'000
Trade payables	677,558	519,489
Bills payable	<u>2,500,296</u>	<u>1,310,192</u>
	3,177,854	1,829,681
Other payables and accrued expenses		
– Deposits from customers	223,690	234,898
– Contract liabilities	171,911	237,584
– Construction payables	184,948	170,015
– Accrued advertising expenses	91,151	122,981
– Accrued payroll, welfare and bonus	213,536	203,285
– Cash-settled written put option	42,798	42,798
– VAT and other tax payable	263,742	195,914
– Dividends payable	5,000	5,000
– Dividends payable to the former controlling shareholder of a subsidiary, Buou Buou International Holdings Ltd.	40,261	41,840
– Dividends payable to the former controlling shareholder of the subsidiaries, Joy Smile and You Nuo	–	4,402
– Payables in relation to unvested restricted shares	12,405	4,662
– Interest payable in relation to convertible bonds	5,373	5,590
– Others	<u>113,541</u>	<u>142,656</u>
	<u>4,546,210</u>	<u>3,241,306</u>

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

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At September 30, 2020 RMB'000	At March 31, 2020 RMB'000
Within 1 month	2,962,776	1,677,174
1 to 3 months	<u>215,078</u>	<u>152,507</u>
	<u>3,177,854</u>	<u>1,829,681</u>

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended September 30,	
	2020	2019
	RMB'000	RMB'000
Interim dividend declared and paid after the interim period of HKD3.5 cents per ordinary share (2019: interim dividend of HKD3.0 cents per ordinary share)	<u>320,169</u>	<u>292,151</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 interim periods

	Six months ended September 30,	
	2020	2019
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HKD6.0 cents per ordinary share (2019: final dividend of HKD6.0 cents per ordinary share)	<u>569,914</u>	<u>562,764</u>

Difference between the final dividends proposed and dividends paid was attributable to the exchange rate fluctuation of HKD against RMB.

(b) Purchase of own shares

During the interim period, the Company did not repurchase any of its own ordinary shares on the Stock Exchange.

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to September 30, 2020, the board of directors of the Company proposed an interim dividend of HKD377,135,000 (approximately RMB320,169,000), representing HKD3.5 cents (approximately RMB3.0 cents) per ordinary share to the equity shareholders of the Company.
- (b) On October 23, 2020, the board of directors of the Company has resolved to grant 100,000,000 share options to Wise Triumph Group Limited, an eligible independent consultant of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company. The exercise price for share options is HKD3.41 per share. These share options are valid for 48 months and vest for a period up to three years.
- (c) On October 23, 2020, Bosideng Down Wear Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Bosideng Corporation Limited, a company ultimately controlled by Mr. Gao Dekang, to acquire Suzhou Bosideng Logistics Co., Limited, which is established for the sole purpose of holding certain properties of the land use rights and the building erected thereon, with a total consideration of RMB559,817,000 after taking into account the valuation made by AVISTA Asset Valuation (Beijing) Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

2020 was an extremely difficult year with a great level of uncertainty. Since the beginning of the year, the outbreak and spread of COVID-19 have changed the world economic pattern and profoundly affected the reconstruction of the global industrial value chain. According to the Q3 2020 edition of the China Economic Monitor published by KPMG China, it indicated that COVID-19 has had a major impact on the world economy, which may lead to the worst recession since the Great Depression. Against this backdrop, China's pandemic prevention and control and resumption of production have been at the forefront of the world, and main economic indicators have continued to rebound from a record low in the first quarter. With the potential of domestic demand continuously unleashed, China is set out to foster a new development paradigm in which the domestic economic circulation will be prioritized and facilitated by the domestic and international economic circulations.

On the demand side, however, despite the contribution of investment demand to economic growth, consumer demand was still relatively weak. The consumption and service sectors, owing to its clustering and physical consumption nature, were most hardly hit by the pandemic and still in the process of recovery. Data show that the total retail sales of consumer goods fell by 8.6% between January and August this year, and the total retail sales of apparels nationwide fell by 16.9% period-on-period.

In the face of such pressure and adverse external challenges, the Group's passion and confidence to strive for success remained unshaken. Brand management is essentially to create customer value in response to customer recognition. The management and all employees adhered to the original aspiration and brand leadership, and were determined to develop our entrepreneurial spirit of working arduously and innovatively to pursue excellence and attain the best result under concerted efforts. We continued to innovate customer value, form effective supply, embrace the digital economy, deploy new omni-channel retail and achieved sustained growth amid the adverse market conditions.

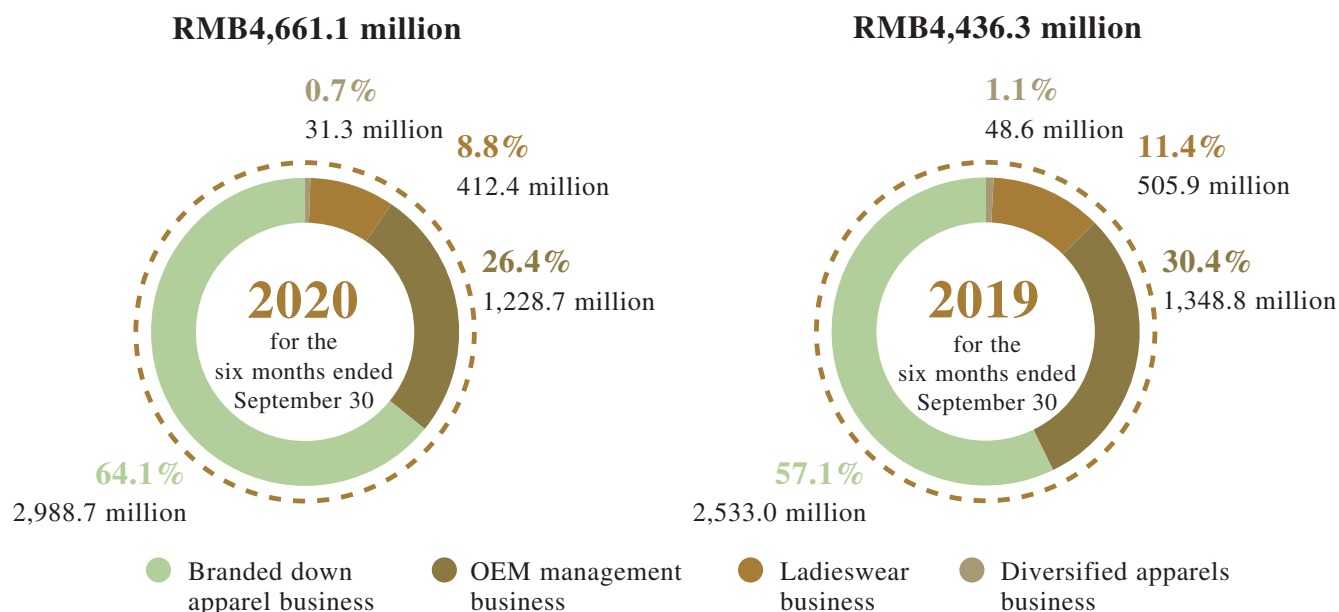
REVENUE ANALYSIS

During the first half of FY2020/21, the Group closely focused on "brand, product, channel and terminal" to carry out systematic construction from all angles. While firmly grasping the four core competencies of upgrading brand, upgrading retail, innovating products and adhering to high product quality and quick response, we actively differentiated and established two security systems in relation to an organization, mechanism, culture and talent construction system, and also a digital information system, and achieved progressive results.

For the six months ended September 30, 2020, revenue of the Group amounted to approximately RMB4,661.1 million, representing an increase of approximately 5.1% as compared to that of the corresponding period of last year. The branded down apparel business, OEM management business, ladieswear business and diversified apparels business are the Group's four main businesses.

The branded down apparel business remained the biggest revenue contributor of the Group, and recorded revenue of approximately RMB2,988.7 million, accounting for 64.1% of the total revenue, representing a period-on-period increase of 18.0%. The OEM management business recorded revenue of approximately RMB1,228.7 million, accounting for 26.4% of the total revenue, representing a decrease of 8.9% period-on-period. The ladieswear business recorded revenue of approximately RMB412.4 million, accounting for 8.8% of the total revenue, representing a period-on-period decrease of 18.5%. The diversified apparels business recorded revenue of approximately RMB31.3 million, accounting for 0.7% of the total revenue, representing a period-on-period decrease of 35.6%.

REVENUE BY BUSINESS



Branded Down Apparel Business:

During the first half of FY2020/21, the Group strived to overcome the market changes and adverse effects brought by COVID-19. It continued to forge a brand-led development model, and pushed forward various efforts in an orderly manner by focusing on its brand positioning of “top-selling down apparel expert in the world”. In terms of customer recognition, *Bosideng*, as a “down apparel expert”, has continuously gained recognition in the mainstream. In terms of store operation, we have strategically penetrated into Beijing and Shanghai, with qualitative improvement in channel quality and store image. We have also made substantial progress in rent reduction and achieved remarkable results in refining our single store operations. In terms of commodity operations, our product development has become more precise, our product structure has become more reasonable, our product-channel matching has improved and the integrated commodity operation model was effectively implemented. In terms of brand management, brand publicity has strengthened, public relation awareness has improved significantly, production and sales have become more closely integrated and investment benefits have been maximized through cost control. In terms of customer management, community operation and customer quality has continuously improved.

For the six months ended September 30, 2020, the Group’s branded down apparel *Bosideng* brand recorded an increase of 19.7% in revenue to approximately RMB2,725.8 million as compared to that of the corresponding period of last year. The revenue of the overall branded down apparel business segment increased by 18.0% to approximately RMB2,988.7 million as compared to that of the corresponding period of last year.

Brand Building

During the first half of FY2020/21, we continued to explore the brand value of *Bosideng* in association with “big brand, good quality and down apparel”, adhered to brand leadership, activated brand strength and built sustainable innovation. Further, we also strengthened our brand through combined marketing, public relations, content innovation, media optimization and other means to boost our operating results through brand reputation.

As one of the important strategies of FY2020/21, the production and sales integration in the first half of FY2020/21 achieved remarkable results. Based on this strategy, brand publicity focused more on the display of featured products and the redirection of online and offline sales. Based on the product launch cycle, we created marketing plans and contents to resonate with consumers. The products were fully displayed through celebrity blockbusters, celebrity street shoots, product placement, fashion bloggers and KOLs (Key Opinion Leaders). Meanwhile, we also focused on product review platforms such as Douyin, Little Red Book and other new media platforms to redirect sales to our online and offline stores and promote transaction conversion rate, thus enhancing sales performance.

Overall, the milestones for brand building during the first half of FY2020/21, being the off-season, are summarized as follows:

- in May 2020, *Bosideng* sponsored 2020 China’s height measurement activity of Mount Everest, perfectly interpreting the spirit of rock climbing and showing the professional strength of Chinese brands to the world;
- in May 2020, *Bosideng* won the high-end market influence brand in the “2020 “Light of Domestic Products” Chinese Brand List” released by Tmall;
- in August 2020, *Bosideng* won the “Apparel Enterprise of the Year 2020 Anxin Award (2020年安心獎年度服飾企業)” at the 2020 Jiemian Forum on New Spending hosted by Jiemian.com of Shanghai United Media Group; and
- in September 2020, *Bosideng*, as the only textile and apparel brand, showcased at the Chinese Brand Day Gala, to actively implement the strategy of brand power, demonstrate its brand strength and entrepreneurial spirit, and gained recognition of major industry players and consumers for its brand upgrade.

Commodity Management

In terms of order management, during the first half of FY2020/21, the Group continued to completely separate order placements of direct sales and wholesale. Single-store orders are applied to self-operated stores, which means products for sales in single stores will match the demand for orders, and products will be produced with reference to the actual demand. Meanwhile, distributors adopt different flexible modes of order placement and rebate based on their respective scales of operation. The system has optimized the mix of orders placed at self-operated stores and those placed by distributors, and hence the Group managed to maintain stability in order placement. Since 2018, the Group has managed and controlled the proportion of orders placed at the first winter down trade fair each year. For FY2020/21, the proportion of the first order placed at the trade fair shall continue to decrease in order to not exceed 30%, and the remaining orders shall be replenished based on actual market feedback and demand in the peak seasons. As the Group’s peak seasons only last for three to four months, more than 70% of the product replenishment orders require the support of sufficiently efficient supply chains and quick response capabilities.

In terms of inventory management, the Group is committed to optimizing inventory management and maintaining inventory at a healthy level. Through stringent production and product planning, the Group has maintained its demand-pull mechanism in all sales regions to realize the combination of production and marketing. Through enhancement in the real-time capture and analysis of terminal retail data, the Group has continuously adjusted the interactions between channels and terminals, and optimized the overall inventory management based on the data collected, with a view to constantly refine retail management and fundamentally improve the overall operational efficiency.

Supply Chain Management

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

COVID-19 served as a test for the supply chain management of the Group. By putting in place all pandemic prevention and control measures, the Group successfully resumed production and work, such as the procurement of raw materials and the production and distribution of isolation gowns, which played an active role in combating COVID-19. Meanwhile, the Group also increased its financial support for upstream suppliers, and leveraged on the strategic cooperation relationship between the Group and financial institutions to provide upstream suppliers with supply chain financial solutions, so as to ensure the stability of the whole supply chain from the source.

In terms of supply chain digital innovation, the data center connects all links of the supply chain based on corporate data. Through the coordination of production and sales, it links up the production and outsourcing process of front-end sales, mid-end inventory and back-end supply chain. On the one hand, the supply chain's ability to quickly respond to front-end sales is improved, and consumer needs can be matched in time. On the other hand, data interchange with core suppliers is realized, thus enabling a more refined operation capability of the raw and auxiliary materials warehouse, which is conducive to the timely supply of raw and auxiliary materials and inventory control.

Logistics and Delivery

Riding on the concept of nationwide inventory management and the integration and sharing of data across online and offline operations, the Group's smart central delivery centre ("CDC") serves all offline direct stores, franchised stores and e-commerce O2O businesses throughout the country. CDC is not only responsible for warehousing, replenishment, returns and transfer, transportation and distribution, but is also responsible for data management. It is able to effectively allocate commodity resources ahead of time based on market changes, so as to respond to consumers' demand more quickly and accurately. A unique warehouse management system was adopted to manage all the inventories. At the same time, the CDC adopted distributed deployment, and set up nine regional warehouses in Eastern China, Northern China, Qingdao, Central China, Northwest China, Southwest China, Northeast China, Harbin and Urumqi. A top-tier distribution channel has continuously been adopted during the first half of FY2020/21 "where goods are delivered directly from the CDC to the stores", achieving direct distribution of goods to all stores nationwide. Not only does it respond to market demands more quickly, but also allows it to realize sharing of goods across the country. Moreover, by capitalizing on our own smart replenishment system to achieve demand-pull restocking in the stores, we were able to ensure that the best-sellers would not go out of stock. As a result, sales were improved and direct distribution of goods to all stores nationwide was therefore achieved. It is hoped that this would reduce inventory warehousing costs and more effectively manage and control buffer stock.

Digital Operation

The digital information system is one of the two major security systems of the Group. FY2020/21 marks the first financial year of the implementation of the Group's digital strategy, which has been accelerated by the outbreak of COVID-19.

In the first half of FY2020/21, the Group entered into a strategic cooperation with Alibaba Cloud as a "Digital and Intelligent Transformation Pioneer", to leverage on the technology and experience of Alibaba Data Center to open up omni-channel data, and to innovate and explore, among others, consumer research, precision marketing, integrated commodity operation and shopping guide operations. On the one hand, through accurate crowd selection, we continuously improved the accuracy of online marketing, and generated more insights on consumer behaviors and products. It also enabled us to iterate and optimize through online activities such as Tmall's "618 Mid-year Shopping Festival" and "88 Membership Festival", and supported the continuous improvement of our gross merchandise volume (GMV) in e-commerce. On the other hand, through accurate crowd selection, SMS and social media placement in offline stores, the proportion and quality of consumers attracted to the stores have been significantly improved. At the same time, through big data tag clustering of past sales products and channels, and applying the resulting analysis to the first order of new products in 2020, it has significantly improved the matching degree between products and store channels, and had a positive impact on the activity rate and marketability of products.

New Retail Operations

In the first half of FY2020/21, the Group used corporate WeChat to build a more convenient communication bridge with customers, and achieved 8 million new corporate WeChat fans. The Group had over 5.5 million followers on its WeChat account, representing an increase of more than 50% as compared with the end of the last financial year. The number of registered members was 19.65 million, an increase of more than 30% as compared with the end of the last financial year. In terms of consumer structure, the number of young consumers under the age of 30 accounted for approximately 20%, a significant increase from the end of the last financial year. Furthermore, member sales have accounted for approximately 63.9% and member repurchase sales have accounted for approximately 36.8% of the total offline sales, respectively.

In terms of new retail digital innovation, we leveraged on the abundant customer assets accumulated by Alibaba Data Center to create customer tags, reach customers with high-quality digital content and generate sales through checkout mini programs. At the same time, it provided marketing assistant for each corporate WeChat shopping guide, and used the data center to match interactive content templates for terminal shopping guides to assist them in maintaining good customer relationships.

R&D of Products

The Group has always attached great importance to product innovation. Product optimization and expansion are the cornerstones for the brand development of the *Bosideng* brand.

In the first half of FY2020/21, the Group placed more attention on combining product design and consumer preferences, and used the consumer perspective thinking model to conduct in-depth research and precise development of series of products for consumers. New product development mainly articulated around four main lines: “sports” represented fashion, “business” represented quality, “outdoor” represented professionalism and “leisure” focused on current fashion trends to create hot-selling products, with designers adding in current fashion elements to complete the whole product design. Through a series of scientific, objective and methodical design processes covering market research, trend analysis, design planning, product development, ordering feedback, sales feedback and summary review, we continuously presented new series of products to consumers.

The key product collections in the first half of FY2020/21 included:

Outdoor City Collection

Led by Italian designers, the design of this collection gives a visual impression of vigor and energy with dazzling and comforting color to create workwear products with brand-new sense by combining the stylish silhouette suitable for young consumers in Asia. Meanwhile, this collection was made of high-quality goose down with 600+ fill power, which provides a warmer and more comfortable wearing experience to consumers. Yang Mi and William Chan were the spokespersons for the theme products, which attracted the attention and love of the young consumer base.

Stylish Sport Collection

With the dynamic coastline “Protecting the Blue Sea” as the design inspiration, this collection injects young and vigorous elements into the theme products by combining stylish colors and 3D streamline models. Meanwhile, it upgrades the process that tightly locks the down together with craftsmanship spirit to offer downproof and more comfortable apparel to the consumers. Yang Mi and William Chan were also the spokespersons for the theme products, which attracted the attention and love of the young consumer base.

Classic Business Collection

This series adopts neat silhouettes, high-end fabrics, exquisite craftsmanship and versatile styles, which can easily cope with multiple scenes such as urban commuting, social interaction and business travel.

Light Down Apparel Collection

The down apparel of this collection is as light as 330g per piece, making it the lightest down apparel ever in the history of *Bosideng*. In terms of materials, it is made of ultra-soft skin fabric, and the skin-friendly cotton feels smooth and soft. In terms of technology, anti-lint technology is adopted and the fabric was first quilted before down was filled to prevent the down cluster from sticking out of needle holes.

Multi-brand Strategies

Under the strategic direction towards mainly focusing on the development of the key *Bosideng* brands, the Group maintained the strategy of “Down apparel +” to continuously develop and position its branded down apparel business under its mid-end brand *Snow Flying* and cost-effective brand *Bengen*, as part of its efforts in gaining more market share in the industry.

Snow Flying

During the first half of FY2020/21, the *Snow Flying* brand recorded revenue of approximately RMB102.7 million, representing a period-on-period increase of 5.2%. In recent years, the *Snow Flying* brand has been actively expanding its online channels, focusing on the inclusive down apparel track, innovating and reforming the online sales business, integrating the upstream and downstream resources, constantly launching products with cost-effective and quality services on the market through the upgrading and optimization of the supply mode, and continuously enhancing its brand influence by constantly upgrading its own digital operation capabilities, thereby further promoting sales. While maintaining the steady sales growth of the core platforms at Tmall and Vipshop, the *Snow Flying* brand also actively made arrangements in live-streaming channels and was ranked among the top 5 in terms of apparel sales on Kuaishou and Douyin platforms during the first half of FY2020/21, indicating its popularity among a broad consumer base. With regards to the offline business, the *Snow Flying* brand optimized the operating efficiency of direct sales channels by comprehensively sorting out the offline direct sales channels to enhance the brand and channel match. Meanwhile, it made more efforts in the competition and elimination of offline distributors and strengthened the distributor operation policies, which led to a steady growth in the offline business.

Bengen

During the first half of FY2020/21, the *Bengen* brand recorded revenue of approximately RMB108.6 million, representing a period-on-period increase of 2.1%. During the first half of FY2020/21, the *Bengen* brand focused on destocking and made a breakthrough under the impact of COVID-19 in the down apparel market that focuses on cost-effectiveness by refining retail management of offline stores, launching online channels on Vipshop and strengthening the construction of the live-streaming system, which has laid a solid foundation for sales in the peak season to continuously focus on online channels, reducing the number of agents and refining the terminal operation.

Revenue from branded down apparel business by brand

Brands	For the six months ended September 30, 2020		2019		Change
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
<i>Bosideng</i>	2,725.8	91.2%	2,276.7	89.9%	19.7%
<i>Snow Flying</i>	102.7	3.4%	97.6	3.8%	5.2%
<i>Bengen</i>	108.6	3.7%	106.4	4.2%	2.1%
Others	51.6	1.7%	52.3	2.1%	-1.4%
Total revenue from branded down apparel business	<u>2,988.7</u>	<u>100.0%</u>	<u>2,533.0</u>	<u>100.0%</u>	<u>18.0%</u>

Revenue from branded down apparel business by sales category

Sales category	For the six months ended September 30, 2020		2019		Change
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
Self-operated	1,108.9	37.1%	453.9	17.9%	144.3%
Wholesale	1,828.2	61.2%	2,027.0	80.0%	-9.8%
Others*	51.6	1.7%	52.1	2.1%	-0.9%
Total revenue from branded down apparel business	2,988.7	100.0%	2,533.0	100.0%	18.0%

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

In view of the impact of COVID-19 in early 2020, the Group has made corresponding adjustments to its channel strategy during the first half of FY2020/21. “Controlling risks and maintaining growth” has been a main development strategy in the first half of FY2020/21. On the offline front, the Group has maintained a more cautious attitude in optimizing and upgrading channels, and enabled the store structure to continue to migrate towards the direction of mainstream consumption channels by opening new image and large stores in mainstream business circles and closing inefficient stores in less efficient areas. The newly opened stores were mainly self-operated selling points and the focus was placed on improving operating efficiency of self-operated selling points. The specific measures included placing more emphasis on the refined operation of single stores, rent reduction and efficiency enhancement, and the sales ability of the store manager to guide the shopping of consumers. On the online front, the Group actively promoted new retail operations and digital transformation and achieved significant breakthroughs in precision marketing and integrated commodity operations. During the six months ended September 30, 2020, self-operated sales revenue (including offline and online) significantly increased by 144.3% period-on-period, and its percentage in branded down apparel sales rose from 17.9% in the corresponding period of last year to 37.1%.

As at September 30, 2020, the total number of selling points of the Group’s branded down apparel business (net) decreased by 202 to 4,664; self-operated selling points (net) increased by 19 to 1,880 and selling points operated by third party distributors (net) decreased by 221 to 2,784 as compared to that as at March 31, 2020, respectively. The self-operated and third party distributor-operated selling points as a percentage of the overall selling points were approximately 40.3% and 59.7%, respectively. Among the total selling points of the Group’s branded down apparel business, approximately 26.9% were located in the first- and second-tier cities (namely, Beijing, Shanghai, Guangzhou, Shenzhen and provincial capital cities in China) and approximately 73.1% were located in the third- and lower-tier cities.

Retail network breakdown by down apparel brand

As at September 30, 2020	<i>Bosideng</i>		<i>Snow Flying</i>		<i>Bengen</i>		Total	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
Specialty stores								
Operated by the Group	1,086	+60	6	-7	19	-2	1,111	+51
Operated by third party distributors	<u>1,823</u>	<u>-78</u>	<u>159</u>	<u>-32</u>	<u>197</u>	<u>-32</u>	<u>2,179</u>	<u>-142</u>
Subtotal	<u>2,909</u>	<u>-18</u>	<u>165</u>	<u>-39</u>	<u>216</u>	<u>-34</u>	<u>3,290</u>	<u>-91</u>
Concessionary retail outlets								
Operated by the Group	579	-19	101	-81	89	+68	769	-32
Operated by third party distributors	<u>292</u>	<u>+6</u>	<u>81</u>	<u>-32</u>	<u>232</u>	<u>-53</u>	<u>605</u>	<u>-79</u>
Subtotal	<u>871</u>	<u>-13</u>	<u>182</u>	<u>-113</u>	<u>321</u>	<u>+15</u>	<u>1,374</u>	<u>-111</u>
Total	<u>3,780</u>	<u>-31</u>	<u>347</u>	<u>-152</u>	<u>537</u>	<u>-19</u>	<u>4,664</u>	<u>-202</u>

Change: Compared with that as at March 31, 2020

Retail network of branded down apparel business by region

	As at September 30, 2020	As at March 31, 2020	Change
Eastern China	1,644	1,708	-64
Central China	971	1,050	-79
Northern China	439	455	-16
Northeast China	535	511	+24
Northwest China	510	561	-51
Southwest China	565	581	-16
Total	4,664	4,866	-202

Region

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 first half of FY2020/21, revenue from the Group's OEM management business amounted to approximately RMB1,228.7 million, representing 26.4% of the Group's revenue and decreasing by 8.9% as compared to that of the corresponding period of last year. The percentage of revenue for the OEM management business from the top five customers accounted for approximately 85.8% of its total revenue.

During the first half of FY2020/21, the OEM management business faced unprecedented pressure and challenges. Affected by COVID-19 in Europe and the United States, major apparel brand stores have closed since the beginning of the pandemic, which has seriously affected sales and caused some customers to cancel or delay their orders in batches. In the face of such dilemma, the OEM management business team actively improved the stickiness of core customers, effectively expanded new customer resources and increased some orders correspondingly. At the same time, we seized the opportunity arising from the pandemic and exported some anti-pandemic supplies. Therefore, the overall decline in the OEM management business was much better as compared to the overall decline in the industry. Through various measures to strictly control costs and expenses, the gross profit margin of the OEM management business also increased by 3.8 percentage points to 18.1%.

Meanwhile, in order to meet customers' demand for product mix, the OEM management business team continued to expand the production capacity in Vietnam and other Southeast Asian regions, leveraging on the Group's production management experience as the "top selling down apparel expert in the world", the quality management of the newly added production capacity and the control of the production process of orders were rapidly enhanced to effectively cope with the impact of uncertainties brought about by future policy changes, and to ensure the sustainable growth of the OEM management business in the future.

Ladieswear Business:

The Group operates four mid- to high-end ladieswear brands to cater to customers' dressing needs on different occasions. After 15 to 30 years of brand accumulation, the four brands present a rich product hierarchy and unique differentiated style positioning. *JESSIE* features simple and smooth products, highlighting the self-confidence and independence of intellectual women; *BUOU BUOU* features elegant, romantic and detail-oriented products, showing feminine charm, while each of *KOREANO* and *KLOVA* features artistic and understated-luxury products, bringing characteristic and ultimate wearing experience to customers. In the highly competitive and relatively low-concentration ladieswear market, the Group's ladieswear business, relying on deep brand accumulation, mature marketing strategies and continuous optimization of design and development, has a large loyal and high-quality customer base.

During the first half of FY2020/21, revenue from the Group's ladieswear business was approximately RMB412.4 million, representing a decrease of 18.5% as compared to that of the corresponding period of last year. The contribution from the ladieswear business to the Group's total revenue was 8.8%. Revenue from the ladieswear brands were as follows:

Revenue from ladieswear business by brand

Brands	For the six months ended September 30, 2020		2019		Change
	RMB million	% of ladieswear revenue	RMB million	% of ladieswear revenue	
<i>JESSIE</i>	133.9	32.5%	184.3	36.4%	-27.3%
<i>BUOU BUOU</i>	107.3	26.0%	151.9	30.0%	-29.4%
<i>KOREANO</i>	78.6	19.1%	76.3	15.1%	3.0%
<i>KLOVA</i>	92.6	22.4%	93.4	18.5%	-0.8%
Total revenue from ladieswear business	<u>412.4</u>	<u>100.0%</u>	<u>505.9</u>	<u>100.0%</u>	<u>-18.5%</u>

Revenue from ladieswear business by sales category

Sales category	For the six months ended September 30, 2020		2019		Change
	RMB million	% of ladieswear revenue	RMB million	% of ladieswear revenue	
Self-operated	366.8	88.9%	426.1	84.2%	-13.9%
Wholesale	45.6	11.1%	79.8	15.8%	-42.8%
Total revenue from ladieswear business	412.4	100.0%	505.9	100.0%	-18.5%

JESSIE

During the first half of FY2020/21, faced with the unexpected COVID-19 and the complicated and volatile economic environment, *JESSIE* strengthened its digital marketing layout by conducting themed live-streaming activities through cooperation with Internet celebrities and applying micro-marketing platform, public membership of our WeChat account, WeChat Moment and other channels to promote multi-dimensional digital marketing, and gradually increased brand-customized private domain traffic pool by promoting effective connection with core customer base through digital information.

To cope with the inventory risks which may have been caused by COVID-19, *JESSIE* strengthened inventory processing while strictly controlled the scale of purchases and achieved significant results. However, in light of the huge impact of COVID-19 on the consumption industry, ladieswear business was relatively weak in the past six months as a whole and the sales of *JESSIE* in the first half of FY2020/21 were affected to a certain extent. *JESSIE*'s revenue fell by 27.3% to approximately RMB133.9 million on a period-on-period basis, among which, the revenue from self-operated and wholesale business decreased by 22.8% and 38.4%, to approximately RMB100.8 million and RMB33.1 million, respectively.

In the face of COVID-19, *JESSIE* maintained an attitude of active response. Through the establishment of the "Enablement and Growth" project team, direct sales, training, planning and promotion, display and other departments were linked to optimize the operation management system in implementation of sorting assignments with terminals, product reorganization and integration, product value shaping and promotion, etc., and continued to promote the implementation and conversion of terminals. At the same time, *JESSIE* also promoted close collaboration between the design department and marketing department. It is expected that product innovation and marketability will be improved through the full integration of design and marketing.

BUOU BUOU

In the first half of FY2020/21, *BUOU BUOU* was also severely affected by COVID-19. In light of issues such as serious homogenization of competing products and the plunge of customer flow in offline traditional department stores, the team has formulated a series of adjustment and optimization policies and measures, which included the expanding of online channels and the closing of underperforming stores.

On the product R&D front, the *BUOU BUOU* team was actively looking for breakthroughs in design inspiration by introducing new design directors to enhance product competitiveness and explicitly designed products which are exclusively offered online to cater to mainstream online customers through online big data analysis during the first half of FY2020/21. On the new retail front, the *BUOU BUOU* team continued to strengthen the online and offline interactive management by establishing connections with customers and generating customer stickiness through different marketing methods such as micro-marketing platforms, so as to minimize the sales gap caused by the closures or shortened business hours of offline stores.

However, due to the impact of COVID-19, the sales of *BUOU BUOU* in the past six months were affected to a certain extent. *BUOU BUOU*'s revenue during the first half of FY2020/21 was approximately RMB107.3 million, representing a decrease of 29.4% from the previous year, among which, the revenue from self-operated and wholesale business decreased by 24.7% and 51.8%, to approximately RMB94.8 million and approximately RMB12.5 million, respectively.

In light of COVID-19, *BUOU BUOU* readily responded by negotiating with shopping malls in terms of reduction in concessionaire fees, minimum guarantees and rental expenses to reduce operating costs. In terms of sales strategy, *BUOU BUOU* continued to highlight good models of online and offline sales interactions. While optimizing offline channels, *BUOU BUOU* expects to use more diverse new online retail models, such as live-streaming activities and video clips, to promote the recovery and growth of results in the second half of FY2020/21.

KOREANO and KLOVA

By virtue of over 30 years of brand accumulation, the stable and mature channel operation capabilities, the loyalty and recognition of a wide range of membership customer base and good product design and development capabilities and other advantages, the results of *KOREANO* and *KLOVA* showed rapid recovery in performance and trend after the outbreak of COVID-19. Revenue from *KOREANO* and *KLOVA* during the first half of FY2020/21 was approximately RMB171.2 million, representing an increase of 0.9% from the previous year.

After the outbreak of COVID-19, the comprehensive management and control capabilities of *KOREANO* and *KLOVA* have also been improved through a variety of ways. In respect of the supply chains of *KOREANO* and *KLOVA*, organization adjustment, standard establishment and efficiency optimization are taken as the core improvement points to ensure the upward quality, improvement on the timeliness of delivery, and implementing a group assessment and incentive mechanism for new product delivery and sell-out rate. In terms of financial management, expenditures were reduced by means of strictly controlling various purchase payments and expenses and closing underperforming and loss-making stores on one hand, while negotiations to reduce or exempt minimum guarantees of most guarantee outlets were conducted for focusing on improving the efficiency of existing outlets on the other hand.

In terms of marketing strategy, *KOREANO* and *KLOVA* still adhered to a stable price strategy and a fully direct sales model, including focusing on product design and quality as well as consumer experience with value-added services and after-sales services; by making use of the live-streaming platforms of various malls, *KOREANO* and *KLOVA* invited old customers and attracted high-quality new customers during the first half of FY2020/21; large-scale activities such as points redemption and purchases with free gifts for a specific month were carried out to increase interaction with membership customer base and facilitate the rapid recovery of sales at various outlets; and at the same time, high-end customized activities were promoted to continue optimizing customized products, processes, delivery dates and after-sales services and enhance the consumer's experience.

As of September 30, 2020, the total number of retail outlets of the Group's ladieswear business decreased by 30 to 469, self-operated retail outlets decreased by 24 to 349 and net retail outlets operated by third party distributors decreased by 6 to 120 as compared to that as at March 31, 2020, respectively. Self-operated retail outlets and those operated by third party distributors accounted for 74.4% and 25.6% of the entire retail network, respectively. Of the total retail outlets of the Group's ladieswear business, approximately 66.7% are located in first- and second-tier cities (i.e. Beijing, Shanghai, Guangzhou, Shenzhen and provincial capital cities in China) and approximately 33.3% are located in third-tier cities or below.

Retail network breakdown by ladieswear brand

As at September 30, 2020	<i>JESSIE</i>		<i>BUOU BUOU</i>		<i>KOREANO</i>		<i>KLOVA</i>		Total	
	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change	Number of stores	Change
Specialty stores										
Operated by the Group	1	-2	12	-3	-	-	-	-	13	-5
Operated by third party distributors	19	-1	10	+1	-	-	-	-	29	-
Subtotal	20	-3	22	-2	-	-	-	-	42	-5
Concessionary retail outlets										
Operated by the Group	106	-1	103	-9	72	-9	55	-	336	-19
Operated by third party distributors	71	-4	20	-2	-	-	-	-	91	-6
Subtotal	177	-5	123	-11	72	-9	55	-	427	-25
Total	197	-8	145	-13	72	-9	55	-	469	-30

Change: Compared with those as at March 31, 2020

Retail network of ladieswear business by region

	As at September 30, 2020	As at March 31, 2020	Change
Eastern China	59	64	-5
Central China	154	156	-2
Northern China	45	50	-5
Northeast China	59	64	-5
Northwest China	89	100	-11
Southwest China	63	65	-2
Total	469	499	-30

Region

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

Diversified apparels business

During the first half of FY2020/21, revenue from our diversified apparels business was approximately RMB31.3 million, representing a decrease of 35.6% as compared to that of the corresponding period of last year. As the Group adhered to the overall strategy of “focusing on our principal business and shrinking diversification”, the contribution from the diversified apparel business to the Group’s total revenue dropped to 0.7%. Revenue from diversified apparels brands during the first half of FY2020/21 were as follows:

Revenue from diversified apparels business by brands

Brands	For the six months ended September 30, 2020		2019		Change
	RMB million	% of diversified apparels business revenue	RMB million	% of diversified apparels business revenue	
<i>Sameite</i>	12.4	39.6%	7.2	14.8%	72.2%
Other brands and others	18.9	60.4%	41.4	85.2%	-54.3%
Total revenue from diversified apparels business	<u>31.3</u>	<u>100.0%</u>	<u>48.6</u>	<u>100.0%</u>	<u>-35.6%</u>

Revenue from diversified apparels business by sales category

Sales category	For the six months ended September 30, 2020		2019		Change
	RMB million	% of diversified apparels business revenue	RMB million	% of diversified apparels business revenue	
Self-operated	15.2	48.6%	10.3	21.2%	47.6%
Wholesale	11.3	36.1%	32.8	67.5%	-65.5%
Others*	4.8	15.3%	5.5	11.3%	-12.7%
Total revenue from diversified apparels business	<u>31.3</u>	<u>100.0%</u>	<u>48.6</u>	<u>100.0%</u>	<u>-35.6%</u>

* Represents rental income

School uniform business – Sameite

During the first half of FY2020/21, the school uniform business under the diversified business segment remained in operation under *Sameite*. *Sameite* insists on providing students with safe, comfortable, fashionable and functional school uniform products, and expects to dress every child in the uniform of his or her dream as its mission. Currently, *Sameite* serves more than 300 schools and nearly 300,000 students, with an annual supply of over one million pieces.

During the pandemic, the *Sameite* brand team took the initiative and made precise strategies to continuously plow into the market through high-quality products and sound after-sales services, and made a breakthrough in the expansion of educational groups and regional benchmarking schools. *Sameite* achieved remarkable performance growth by actively participating in brightening brand focus under the pandemic, strengthening flexible and quick-response capabilities to improve the timing of services, reducing the impact of the pandemic through the use of online sales model and expanding market coverage through differentiated exclusive garden clothing design. During the first half of FY2020/21, contract orders for school uniform business of *Sameite* represented an increase of 76% as compared to that of the corresponding period of last year, and revenue amounted to approximately RMB12.4 million, representing an increase of 72.2% as compared to that of the corresponding period of last year.

Children's wear business

During the first half of FY2020/21, the Group mainly cooperated with the Japanese brand of *Petit main*. In terms of its business expansion, it will continue to focus on prioritizing the development of online platforms through cooperation with Japanese joint venture companies and product development.

Bosideng MAN and Bosideng HOME

Since FY2018/19, the Group started to downsize the *Bosideng MAN* and *Bosideng HOME* brands under the diversified apparels business segment comprehensively. This resulted in the significant reduction in size of these two business divisions during the past two and a half years.

Retail network of diversified apparels business by region

	As at September 30, 2020	As at March 31, 2020	Change
Eastern China	6	7	-1
Central China	-	-	-
Northern China	-	-	-
Northeast China	-	-	-
Northwest China	-	-	-
Southwest China	-	26	-26
Total	<u>6</u>	<u>33</u>	<u>-27</u>

Region

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

ONLINE SALES

During the first half of FY2020/21, the Group's online business expanded significantly and achieved remarkable performances. During the first half of FY2020/21, the online outlet channel made remarkable achievements, in which the performance on the two platforms at Vipshops and Tmall Outlets exhibited a trend of rapid growth.

Meanwhile, during the first half of FY2020/21, the Group strengthened its strategic cooperation with Alibaba. Through cooperation, in terms of consumer development, the high-quality products of the brand had more opportunities to be exhibited to the platforms' high-quality consumers. In terms of data support, through access to multi-dimensional data support and market trend analysis, we could provide more timely and reliable data support for sales decisions. In terms of priority application of innovative tools, through the Tmall brand innovation and marketing centers and live-streaming virtual hosts, the Group's online business development was further diversified and enriched by such application of innovative tools. Meanwhile, the data platform established together with Alibaba also provided assistance and support for precise marketing of online business team.

After a few years of development, the live-streaming channel has become an industry hotspot and a means of online sales growth. On one hand, the Group increased the single-live output by strengthening live-streaming cooperation with top talents, while on the other hand, the Group increased the live broadcast output by improving live-streaming operation capabilities in the live stream of official flagship store at Tmall.

The Group also attached significant emphasis on online brand building, integration between online and offline new retail and the maintenance and expansion of members. In terms of brand building, the Group jointly made online and offline announcements through the brand's significant public relations events. In terms of member maintenance and expansion, the flagship store at Tmall attracted approximately 900,000 new members, with approximately 2.75 million members in total, and had more than 7.35 million fans for the six months ended September 30, 2020, and the proportion of young and new consumer groups under the age of 30 has steadily increased.

During the first half of FY2020/21, revenue from the total online sales of the Group's brands was approximately RMB537.7 million, representing a period-on-period increase of 76.4%. Revenue from the online sales of branded down apparels business and ladieswear business for the period was approximately RMB489.7 million and RMB42.6 million, accounting for 16.4% and 10.3% of the revenue of each business, respectively. By sales categories, revenue from the self-operated and wholesale businesses through the Group's online sales amounted to approximately RMB249.5 million and RMB288.2 million, respectively.

GROSS PROFIT

During the first half of FY2020/21, gross profit of the Group increased by 15.4% as compared to that of the corresponding period of last year, from approximately RMB1,929.6 million to approximately RMB2,227.3 million. The gross profit margin increased by 4.3 percentage points as compared to that of the corresponding period of last year, from 43.5% to 47.8%.

Gross profit margin of the branded down apparel business increased by 3.5 percentage points to 56.4%, mainly because the significantly increased proportion of sales revenue from *Bosideng* brand self-operated retail stores made a relatively significant contribution to the improvement of gross profit margin of the branded down apparel business in the first half of FY2020/21; meanwhile, the Group strengthened the cost control of down and other raw materials. The gross profit margin of the OEM management business recorded an increase of 3.8 percentage points to 18.1% through various measures to strictly control costs and expenses. The gross profit margin of the ladieswear business decreased by 3.2 percentage points to 73.6% as compared to that of the corresponding period of last year, which was mainly due to product sales for destocking during the post-pandemic period.

OPERATING PROFIT

During the first half of FY2020/21, the Group's operating profit increased by 39.5% to approximately RMB666.4 million. Operating profit margin was 14.3%, representing an increase of 3.5 percent points as compared to 10.8% of the corresponding period of last year, mainly due to the contribution from the branded down apparel business and the OEM management business.

DISTRIBUTION EXPENSES

During the first half of FY2020/21, the Group's distribution expenses, mainly comprising advertising and promotion expenses, concessionaire fees to department stores, depreciation charge of right-of-use assets, contingent rents and sales personnel expenses, amounted to approximately RMB1,209.0 million, representing an increase of 8.0% as compared to approximately RMB1,119.0 million of the corresponding period of last year. The Group's distribution expenses accounted for 25.9% of its total revenue, representing a slight increase of 0.7 percentage point as compared to 25.2% of the corresponding period of last year. The increase in distribution expenses was mainly due to the increases in depreciation of right-of-use assets and decoration expenses resulting from the Group's efforts in the construction of direct sales channels for the branded down apparel business, as well as the rise in wages due to the increase in headcounts of sales personnel for direct sales channels during the first half of FY2020/21.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses, mainly comprising of salary and welfare, depreciation and consultancy expenses, amounted to approximately RMB390.3 million in the first half of FY2020/21, representing an increase of 16.2% as compared to approximately RMB335.8 million of last year, mainly due to the share-based payments incurred from the share options newly granted to the employees during the period. The proportion of administrative expenses to the Group's total revenue was 8.4%, representing a slight increase of 0.8 percentage point as compared to 7.6% of the corresponding period of last year.

FINANCE INCOME

During the first half of FY2020/21, the Group's finance income decreased by 5.1% to approximately RMB103.7 million from approximately RMB109.3 million. The decrease was mainly due to the decrease in the Group's bank interest income and the financial income and fluctuation in foreign currency exchange rate, which led to a decrease in exchange gain during the first half of FY2020/21 as compared to that of the corresponding period of last year.

FINANCE COST

During the first half of FY2020/21, the Group's finance cost was approximately RMB122.3 million, representing an increase of approximately 21.4% as compared to that of the corresponding period of last year. The increase was mainly due to a combination of factors, including (i) the exchange losses on the OEM management business; (ii) the increased interest expense incurred from the leases as a result of the Group's adoption of IFRS (IFRS 16 - Leases) during the first half of FY2020/21; (iii) the interest expense incurred by the issuance of convertible bonds in December 2019; and (iv) the decrease in interest on borrowings resulting from the repayment of portions of bank loans during the first half of FY2020/21.

TAXATION

During the first half of FY2020/21, income tax expenses increased from approximately RMB125.8 million to approximately RMB156.4 million. The effective tax rate was approximately 24.1%, which approximated to the standard PRC income tax rate of 25%.

DIVIDENDS

The Board recommended the payment of an interim dividend of HKD3.5 cents (equivalent to approximately RMB3.0 cents) per ordinary share for the six months ended September 30, 2020. The interim dividend will be paid on or around January 12, 2021 to shareholders whose names appear on the register of members of the Company on December 23, 2020.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended September 30, 2020, the Group's net cash used in operating activities amounted to approximately RMB689.5 million. Cash and cash equivalents as at September 30, 2020 amounted to approximately RMB1,717.6 million.

As at September 30, 2020, the distribution of cash and cash equivalents by currency was as follows:

	<i>RMB'000</i>
Renminbi	1,353,278
US dollar	164,750
Pound sterling	7,966
Hong Kong dollar	190,897
Japanese yen	124
European dollar	591
Total	<u>1,717,606</u>

In order to obtain higher returns on the Group's available cash reserves, the Group has invested in the other financial assets, including capital protected or low-risk short-term investments with banks in China and other financial securities. The expected but unguaranteed returns of the capital protected or low-risk short-term investments with banks ranged from 1.8% to 3.9% per annum. The other financial securities referred to stocks held by Shuo Ming De Investment Co., Ltd (an indirect wholly-owned subsidiary of the Company). As at September 30, 2020, the bank borrowings of the Group amounted to approximately RMB631.3 million (March 31, 2020: approximately RMB817.8 million) and the carrying amount of liability component of the convertible bonds was approximately RMB1,636.7 million (March 31, 2020: approximately RMB1,676.5 million). The gearing ratio (being total borrowings/total equity) of the Group was 21.9% (March 31, 2020: 24.0%).

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

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

For the six months ended September 30, 2020, the Group had no significant acquisitions or disposals of subsidiaries.

As at September 30, 2020, save for the Acquisition (as defined below) which took place in October 2020, the Group had no future plans for significant investments or capital asset acquisitions.

CONTINGENT LIABILITIES

As at September 30, 2020, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at September 30, 2020, the Group had outstanding capital commitments in respect of plant, property and equipment amounting to approximately RMB4.8 million (March 31, 2020: approximately RMB32.3 million).

PLEDGE OF ASSETS

As at September 30, 2020, bank deposits amounting to approximately RMB314.8 million had been pledged to banks for the purpose of standby letter of credit, bank borrowings and bills payable and letter of credit financing (March 31, 2020: approximately RMB414.4 million).

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at its head office. The Group adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was raised by cash generated from operating activities and bank borrowings. 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 were conducted mainly in China with revenue and expenses of the Group's subsidiaries denominated in Renminbi. Some of the Group's cash and bank deposits were denominated in Hong Kong dollars or US dollars. The Company and some of its overseas subsidiaries selected US dollars as their functional currency. Any significant exchange rate fluctuations of Hong Kong dollars, US dollars, Japanese yen and Pound sterling or against each entity's respective functional currency may have a material impact on the Group.

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

HUMAN RESOURCES

As of September 30, 2020, the Group had 8,029 full-time employees (September 30, 2019: 6,975 full-time employees), representing a period-on-period increase of 1,054 employees. Staff costs for the six months ended September 30, 2020 (including Directors' remuneration in the form of salaries, other allowances and equity-settled share-based transaction expenses) were approximately RMB600.5 million (for the six months ended September 30, 2019: approximately RMB512.0 million). During the first half of FY2020/21, the Group strengthened its team bonding and increased relevant high caliber personnel in the personnel composition of the marketing team and terminal store of branded down apparel.

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

FUTURE OUTLOOK

Since early 2020, the outbreak and spread of COVID-19 has caused a huge impact on the global economic situation. Sino-U.S. relations and the U.S. election have also put a veil of uncertainty on the originally turbulent environment, intensifying the trend of economic regionalization. Under this context, total retail sales of consumer goods in China fell by 8.6% from January to August this year, and apparel retail sales in China fell by 16.9% period-on-period. However, China has turned crises into opportunities and sought opportunities in crises, effectively controlling the pandemic, quickly adjusting the status and promoting economic recovery and international cooperation, thereby opening a new chapter of economic development in a new dual-cycle development pattern. At the same time, although the pandemic has brought some trauma to certain small and medium-sized enterprises, the recovery and rise of industry leaders have become more prominent. In the post-pandemic period, top brands with strong brand value have faster recovery and stronger competitiveness.

Branded down apparel business: By focusing on positioning itself as the “best-selling expert in down apparel in the world”, the Group took its customer-value-oriented approach and used its brand power to lead products, retail, supply chain and other aspects to work together to create a beneficial year for the brand. Through upgrading channel structures, focusing on quality and efficiency improvements in stores and driving the boom in peak season sales, the Group enabled *Bosideng* to win the love of mainstream consumers of the era and continued to maintain its brand-leading position. At the same time, we deployed our mid-end brand *Snow Flying* and cost-effective brand *Bengen*, and took the initiative to strive for growth and stabilized the basic market to expand market share.

On the brand building front, the Group will continue to speak out to the market through major brand events during the peak season, consolidate and enhance the brand potential of *Bosideng*, and strengthen the benefits of brand building through publicity, promotion of content and the combination of quality and sales. On the channel and store building front, the Group will continue to improve the store operating efficiency by improving the integration of online and offline operations, developing strategic markets, expanding strategic channels, refining store operations and improving store managers’ shopping guides. On the product development front, the Group will continue to improve the product operating efficiency by strengthening the organic combination of product development and market demand and reinforcing the matching of channels and products etc. In terms of customer relationship management, the Group will continue to broadly expand the membership base through innovative live streaming and other methods and strengthen the exploration of new models such as expanding and attracting new customers and offline sales through the collection of accurate portraits and consumption habits of members.

OEM management business: The Group will continue to expand the customer base of the OEM management business, and evenly distribute the customer market resources in North America, Europe and the Asia-Pacific region to effectively reduce risks. Through continuous deployment in Southeast Asia, the Group will develop more price-competitive production resources to deal with uncertainty risks. The Group will also improve the overall efficiency by continuously improving the automation level and technical capabilities of domestic and Southeast Asian factories.

Fashionable ladieswear business: Looking into the future, the Group will reshape team thinking and actively encourage various ladieswear brands to take advantage of their unique advantages to expand their businesses. The Group also intends to expand synergy among brands through resource sharing among the ladieswear brands. Through the gradual improvement of the product, channel and brand power and other aspects of the ladieswear brands, the operational and management efficiency of the ladieswear business unit will be boosted, thereby achieving the recovery and healthy growth of the ladieswear business.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from December 21, 2020 to December 23, 2020, 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 January 12, 2021, 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 December 18, 2020.

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

During the six months ended September 30, 2020, pursuant to the terms of the rules and deed of settlement of the share award scheme adopted on April 23, 2020 (the "**Share Award Scheme**"), the trustee under the Share Award Scheme purchased a total of 19,340,000 Shares at an aggregate consideration of approximately HKD43.7 million on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Save as disclosed above, the Company and its subsidiaries had not purchased, sold or redeemed any the Company's listed securities during the six months ended September 30, 2020.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Directors are of the opinion that the Company had complied with the code provisions of the Corporate Governance Code (the "**Code**"), as set out in Appendix 14 to the Listing Rules for the six months ended September 30, 2020, except for code provision A.2.1 of the Code, 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 three 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.

SUBSEQUENT EVENTS

Acquisition of the entire equity interest in Suzhou Bosideng Logistics Co., Limited

On October 23, 2020, Bosideng Down Wear Limited (a wholly-owned subsidiary of the Company), as the purchaser (the “**Purchaser**”), and Bosideng Corporation Limited (a company solely ultimately beneficially owned by Mr. Gao Dekang (the Chairman, the CEO and controlling shareholder of the Company)), as the vendor (the “**Vendor**”), entered into an equity transfer agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the entire equity interest in Suzhou Bosideng Logistics Co., Limited* (蘇州波司登物流有限公司) (the “**Target Company**”) at the consideration of RMB559,817,100 (the “**Acquisition**”). As at the date of this announcement, the Acquisition has been completed and the Target Company is wholly owned by the Group.

For further details of the Acquisition, please refer to the Company’s announcements dated October 23, 2020 and November 2, 2020, respectively.

Grant of Options

On October 23, 2020, the Company had granted 100,000,000 options to Wise Triumph Group Limited, an eligible independent consultant of the Group. For further details of the grant of options, please refer to the Company’s announcement dated October 23, 2020.

Save as disclosed above, no material events happened subsequent to September 30, 2020 and up to the date of this announcement.

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, 2020 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 26, 2020

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

* For identification purpose only