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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, 2021

HIGHLIGHTS

- Revenue increased by 15.6% to approximately RMB5,389.5 million.
- Gross profit margin increased by 2.7 percentage points to 50.5%.
- Operating profit margin increased by 0.5 percentage points to 14.8%.
- Profit attributable to equity shareholders of the Company increased by 31.4% to approximately RMB638.5 million.
- The Board declared payment of an interim dividend of HKD4.5 cents per ordinary share.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Bosideng International Holdings Limited (the “**Company**” or “**Bosideng**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or the “**Bosideng Group**”) for the six months ended September 30, 2021, together with the unaudited comparative figures for the corresponding period in 2020. These interim financial statements have not been audited, but have been reviewed by the audit committee of the Company and approved by the Board. The interim results have also been reviewed by the Company’s auditor, 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, whose report on review of interim financial report will be set out in the *Interim Report 2021/22*.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended September 30, 2021 – unaudited

	<i>Note</i>	Six months ended September 30,	
		2021	2020
		RMB'000	RMB'000
Revenue	6	5,389,533	4,661,116
Cost of sales		(2,668,756)	(2,433,774)
Gross profit		2,720,777	2,227,342
Other income	7	143,341	46,235
Selling and distribution expenses		(1,614,152)	(1,208,974)
Administrative expenses		(452,830)	(390,342)
Other expenses		(87)	(7,897)
Profit from operations		797,049	666,364
Finance income		130,650	103,701
Finance costs		(103,766)	(122,349)
Net finance income/(costs)	9	26,884	(18,648)
Profit before taxation		823,933	647,716
Income tax	10	(196,798)	(156,361)
Profit for the period		627,135	491,355

	<i>Note</i>	Six months ended September 30,	
		2021	2020
		RMB'000	RMB'000
Profit attributable to:			
Equity shareholders of the Company		638,474	486,031
Non-controlling interests		(11,339)	5,324
		<u>638,474</u>	<u>486,031</u>
Profit for the period		<u>627,135</u>	<u>491,355</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		754,894	516,994
Non-controlling interests		(11,339)	5,324
		<u>754,894</u>	<u>516,994</u>
Total comprehensive income for the period		<u>743,555</u>	<u>522,318</u>
Earnings per share	<i>11</i>		
– basic (RMB cents)		<u>5.95</u>	<u>4.54</u>
– diluted (RMB cents)		<u>5.88</u>	<u>4.51</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At September 30, 2021 – unaudited

	<i>Note</i>	At September 30, 2021 <i>RMB'000</i>	At March 31, 2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,659,616	1,761,804
Right-of-use assets		873,130	850,558
Intangible assets and goodwill	12	1,554,101	1,572,040
Investment properties		277,325	265,479
Prepayments		21,711	22,343
Other financial assets	16	234,682	150,901
Deferred tax assets		595,844	566,540
Pledged bank deposits		770,000	450,000
Time deposits with maturity over three months		220,000	440,000
		6,206,409	6,079,665
		6,206,409	6,079,665
Current assets			
Inventories	13	3,544,078	2,645,940
Trade and bills receivables	14	3,588,269	875,915
Deposits, prepayments and other receivables	15	2,043,427	1,168,152
Receivables due from related parties		233,269	156,511
Other financial assets	16	3,721,928	5,952,169
Pledged bank deposits		417,939	207,253
Time deposits with maturity over three months		95,800	99,301
Cash and cash equivalents		1,895,404	1,771,330
		15,540,114	12,876,571
		15,540,114	12,876,571
Current liabilities			
Current income tax liabilities		580,278	519,664
Interest-bearing borrowings		1,011,045	670,923
Lease liabilities		190,729	223,388
Trade, bills and other payables	17	6,433,873	4,012,075
Payables due to related parties		5,200	6,679
Derivative financial liabilities		9,344	9,344
		8,230,469	5,442,073
		8,230,469	5,442,073
Net current assets		7,309,645	7,434,498
Total assets less current liabilities		13,516,054	13,514,163

	At September 30, 2021 <i>RMB'000</i>	At March 31, 2021 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	138,523	174,147
Lease liabilities	427,697	415,311
Convertible bonds	1,608,473	1,604,288
Other non-current liabilities	23,229	69,687
	<u>2,197,922</u>	<u>2,263,433</u>
Net assets	<u><u>11,318,132</u></u>	<u><u>11,250,730</u></u>
Capital and reserves		
Share capital	816	811
Reserves	11,148,181	11,068,303
Equity attributable to equity shareholders of the Company	<u>11,148,997</u>	<u>11,069,114</u>
Non-controlling interests	<u>169,135</u>	<u>181,616</u>
Total equity	<u><u>11,318,132</u></u>	<u><u>11,250,730</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 25, 2021.

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, 2021, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending March 31, 2022. 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, 2021. 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, 2021 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, 2021 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, 2021.

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 16, *Covid-19-related rent concessions beyond June 30, 2021*
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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

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 2020/21 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,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of apparels	5,386,695	4,656,376
Revenue from other sources		
Gross rentals from investment properties	<u>2,838</u>	<u>4,740</u>
Consolidated revenue	<u>5,389,533</u>	<u>4,661,116</u>

All revenue was recognized at point in time.

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 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 is set out below:

	For the six months ended September 30, 2021				
	Down apparels RMB'000	OEM management RMB'000	Ladieswear apparels RMB'000	Diversified apparels RMB'000	Group RMB'000
Revenue from external customers	3,473,353	1,428,008	416,382	71,790	5,389,533
Inter-segment revenue	—	2,004	—	5,874	7,878
Reportable segment revenue	3,473,353	1,430,012	416,382	77,664	5,397,411
Reportable segment profit	564,614	204,470	24,445	(3,740)	789,789
Amortization of intangible assets	—	—	(17,939)	—	(17,939)

	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
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)

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

	For the six months ended September 30,	
	2021	2020
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	5,397,411	4,679,929
Elimination of inter-segment revenue	(7,878)	(18,813)
Consolidated revenue	<u>5,389,533</u>	<u>4,661,116</u>

	For the six months ended September 30,	
	2021	2020
	RMB'000	RMB'000
Profit before income tax		
Reportable segment profit	789,789	709,620
Amortization expenses	(17,939)	(18,309)
Government grants	113,453	25,344
Finance income	130,650	103,701
Finance costs	(103,766)	(122,349)
Unallocated expenses	(88,254)	(50,291)
Consolidated profit before income tax	<u>823,933</u>	<u>647,716</u>

7 **OTHER INCOME**

	For the six months ended September 30,	
	2021	2020
	RMB'000	RMB'000
Royalty income (i)	27,445	20,891
Government grants (ii)	113,453	25,344
Dividend income (iii)	2,443	–
Other income	<u>143,341</u>	<u>46,235</u>

- (i) Royalty income was arising from the use by other entities of the Group's brands.
- (ii) The Group received unconditional discretionary grants amounting to RMB113,453,000 during the six months ended September 30, 2021 (six months ended September 30, 2020: RMB25,344,000) from various local PRC government authorities in recognition of the Group's contribution to the development of the local economies.
- (iii) Dividend income for the six months ended September 30, 2021 was attributable to the Group's equity investments in certain A-share listed companies.

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,	
	2021	2020
	RMB'000	RMB'000
Cost of inventories recognized as expenses included in cost of sales	2,668,756	2,433,774
Depreciation		
– assets leased out	4,316	978
– owned property, plant and equipment	235,925	192,956
– right-of-use assets	177,455	146,084
Amortization charge		
– intangible assets	17,939	18,309
Lease charge of short-term leases exempt from capitalization under IFRS 16	28,996	25,482
Variable lease payments	259,966	145,786

9 NET FINANCE INCOME/(COSTS)

	For the six months ended	
	September 30,	
	2021	2020
	RMB'000	RMB'000
Recognized in profit or loss:		
Interest income on bank deposits	41,118	24,240
Interest income on financial assets measured at amortized cost	25,741	53,197
Total interest income on financial assets not at fair value through profit or loss (“FVPL”)	66,859	77,437
Realized/unrealized net gain in financial assets classified as FVPL	57,461	26,264
Net foreign exchange gain	6,330	–
Finance income	130,650	103,701
Interest on interest-bearing borrowings and discounted bills	(46,868)	(32,493)
Interest on convertible bonds	(34,299)	(35,378)
Bank charges	(4,886)	(5,141)
Interest expenses on lease liabilities	(17,713)	(17,060)
Net foreign exchange loss	–	(32,277)
Finance costs	(103,766)	(122,349)
Net finance income/(costs) recognized in profit or loss	26,884	(18,648)

10 INCOME TAX

Income tax in profit or loss represents:

	For the six months ended	
	September 30,	
	2021	2020
	RMB'000	RMB'000
Current tax		
Provision for income tax	297,078	157,227
Deferred tax		
Origination of temporary differences	(100,280)	(866)
	<u>196,798</u>	<u>156,361</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, 2020: 16.5%).

For the six months ended September 30, 2021, 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, Jiangsu Bosideng Supply Chain Co., Ltd., an enterprise in the PRC, which provide services for procurement, production planning, order management, storage and logistics management and services to the companies of the Group, and You Nuo (Tianjin) Clothing Limited (“**You Nuo**”), an enterprise engaged in ladieswear apparel design, production and distribution incorporated in the PRC. Shanghai Bosideng Information Technology Co., Ltd. and Jiangsu Bosideng Supply Chain Co., Ltd. were granted a preferential rate of 15% for high-tech enterprises for three years starting from 2019, and You Nuo was granted a preferential rate of 15% for high-tech enterprises for three years starting from 2020.

- (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 Administration, 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, 2021 is based on the profit attributable to ordinary equity shareholders of the Company of RMB638,474,000 (six months ended September 30, 2020: RMB486,031,000) and the weighted average number of ordinary shares of 10,739,473,000 (six months ended September 30, 2020: 10,694,446,000 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, 2021 is based on the profit attributable to equity shareholders of the Company of RMB638,474,000 (six months ended September 30, 2020: RMB486,031,000) and the weighted average number of ordinary shares of 10,860,262,000 (six months ended September 30, 2020: 10,774,424,000 shares), 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, as they would lead to an increase for the earnings per share.

12 INTANGIBLE ASSETS AND GOODWILL

	Goodwill <i>RMB'000</i>	Customer relationships <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At March 31, 2021 and September 30, 2021	1,708,151	648,822	633,795	2,990,768
Amortization and impairment losses:				
At March 31, 2021	(600,741)	(630,661)	(187,326)	(1,418,728)
Amortization charge for the period	—	(2,095)	(15,844)	(17,939)
At September 30, 2021	(600,741)	(632,756)	(203,170)	(1,436,667)
Net book value:				
At September 30, 2021	<u>1,107,410</u>	<u>16,066</u>	<u>430,625</u>	<u>1,554,101</u>
At March 31, 2021	<u>1,107,410</u>	<u>18,161</u>	<u>446,469</u>	<u>1,572,040</u>

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, 2021 RMB'000	At March 31, 2021 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	(152,000)	(152,000)
Ladieswear – Tianjin Ladieswear	(15,000)	(15,000)
	<u>(600,741)</u>	<u>(600,741)</u>
Net value		
Menswear	–	–
Ladieswear – <i>JESSIE</i> brand	343,312	343,312
Ladieswear – <i>BUOU BUOU</i> brand	373,137	373,137
Ladieswear – Tianjin Ladieswear	390,961	390,961
	<u>1,107,410</u>	<u>1,107,410</u>

13 INVENTORIES

	At September 30, 2021 RMB'000	At March 31, 2021 RMB'000
Raw materials	1,254,572	795,137
Work in progress	41,747	11,851
Finished goods	2,247,759	1,838,952
	<u>3,544,078</u>	<u>2,645,940</u>

14 TRADE AND BILLS RECEIVABLES

	At September 30, 2021 <i>RMB'000</i>	At March 31, 2021 <i>RMB'000</i>
Trade receivables	3,654,549	803,329
Bills receivable	78,648	204,630
Less: loss allowance for doubtful debts	<u>(144,928)</u>	<u>(132,044)</u>
	<u>3,588,269</u>	<u>875,915</u>

The gross carrying amount of trade and bills receivables from contract with customers amounted to RMB3,733,197,000 as at September 30, 2021 (March 31, 2021: RMB1,007,959,000).

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

As at September 30, 2021, the Group endorsed certain bank acceptance bills totaling RMB214,570,000 (March 31, 2021: RMB156,795,000) to suppliers for settling trade payables of the same amount on a full recourse basis. Among these, the Group has derecognized RMB196,120,000 (March 31, 2021: RMB64,840,000) 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 equal 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, 2021 <i>RMB'000</i>	At March 31, 2021 <i>RMB'000</i>
Within credit terms	3,372,617	680,160
1 to 3 months past due	130,250	152,243
Over 3 months but less than 6 months past due	51,879	13,407
Over 6 months but less than 12 months past due	22,495	18,989
Over 1 year past due	<u>11,028</u>	<u>11,116</u>
	<u>3,588,269</u>	<u>875,915</u>

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At September 30, 2021 RMB'000	At March 31, 2021 RMB'000
Deposits	794,084	580,538
Prepayments for materials and processing fee	612,172	312,059
Prepayments for other services	303,166	28,654
	915,338	340,713
Third party other receivables:		
– VAT recoverable	259,371	185,842
– Advances to employees	53,518	40,774
– Others	21,116	20,285
	334,005	246,901
Total	2,043,427	1,168,152

16 OTHER FINANCIAL ASSETS

	Note	At September 30, 2021 RMB'000	At March 31, 2021 RMB'000
Non-current			
Equity securities designated as FVOCI (non-recycling)	(b)	204,784	100,130
Financial assets measured at amortized cost	(a)	29,898	50,771
		234,682	150,901
Current			
Financial assets measured at amortized cost	(a)	202,624	2,093,664
Financial assets classified as FVPL	(c)	3,519,304	3,858,505
		3,721,928	5,952,169
Total		3,956,610	6,103,070

- (a) Financial assets measured at amortized cost are principal guaranteed short-term or long-term investments with banks in the PRC. These investments have expected but not guaranteed returns, ranging from 1.86% to 3.50% per annum (March 31, 2021: 1.00% to 5.44%).

During the period, the interest income of investments with banks of RMB25,741,000 was recognized as finance income (six months ended September 30, 2020: RMB53,197,000).

- (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. On May 31, 2019, the shares held by Shuo Ming De increased to 17,057,922 shares due to the bonus issue of shares made by Jinhong Group. 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.

During the period, the changes in fair value of the investment of RMB129,851,000 (net of tax) was recognized as a gain in other comprehensive income (six months ended September 30, 2020: loss of RMB6,397,000).

In early July 2021, Shuo Ming De disposed 2,787,223 shares of Jinhong Group in total, after which the number of shares of Jinhong Group held by Shuo Ming De decreased to 14,270,699 shares. The accumulated gain recognized in the other comprehensive income for the aforementioned disposed shares of RMB23,796,000 (net of tax) as of the date of disposal was transferred to retained earnings directly.

No dividends were received for this investment during the six months ended September 30, 2021 (six months ended September 30, 2020: Nil).

- (c) Financial assets classified as FVPL represented listed equity investments of RMB91,929,000 (March 31, 2021: RMB7,607,000) and short-term investments with banks and other financial institutions of RMB3,427,375,000 (March 31, 2021: RMB3,850,898,000).

(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.

During the six months ended September 30, 2021, the net realized/unrealized loss of other listed equity investments held by the Group of RMB9,548,000 were recognized as a loss in net finance income (six months ended September 30, 2020: Nil).

(ii) **Short-term investments with banks and other financial institutions**

Short-term investments with banks and other financial institutions with no guarantee of principal and interest were classified as FVPL. During the period, the net realized/unrealized gain in these investments of RMB67,009,000 was recognized as a gain in finance income (six months ended September 30, 2020: net realized/unrealized gain of RMB26,264,000). Neither the single short-term investment nor short-term investment made with the same bank or financial institution on an aggregate basis accounted for over 5% of the Group's total assets.

17 TRADE, BILLS AND OTHER PAYABLES

	At September 30, 2021 RMB'000	At March 31, 2021 RMB'000
Trade payables	1,567,441	722,128
Bills payable	3,183,152	1,746,505
	4,750,593	2,468,633
Other payables and accrued expenses		
– Deposits from customers	286,334	257,400
– Contract liabilities	137,851	286,944
– Construction payables	231,353	223,172
– Accrued advertising expenses	112,240	95,186
– Accrued payroll, welfare and bonus	213,729	358,224
– Cash-settled written put option	50,530	50,530
– VAT and other tax payable	209,002	122,121
– Dividends payable	5,000	5,000
– Payables in relation to unvested restricted shares	33,108	7,743
– Interest payable in relation to convertible bonds	5,117	5,184
– Payables in relation to shares disposed by employees under share-based payment schemes	275,790	–
– Others	123,226	131,938
	6,433,873	4,012,075

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 and bills payable, based on the invoice date, is as follows:

	At September 30, 2021 RMB'000	At March 31, 2021 RMB'000
Within 1 month	4,048,754	2,264,702
1 to 3 months	701,839	203,931
	4,750,593	2,468,633

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,	
	2021	2020
	RMB'000	RMB'000
Interim dividend declared and paid after the interim period of HKD4.5 cents per ordinary share (2020: interim dividend of HKD3.5 cents per ordinary share)	401,659	320,169

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,	
	2021	2020
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HKD10.0 cents per ordinary share (2020: final dividend of HKD6.0 cents per ordinary share)	893,614	569,914

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, 2021, the board of directors of the Company proposed an interim dividend of HKD489,470,000 (approximately RMB401,659,000), representing HKD4.5 cents per ordinary share to the equity shareholders of the Company.
- (b) Subsequent to September 30, 2021, 168,460,000 share options granted to eligible employees on October 26, 2018 were lapsed due to unqualified performance.

MANAGEMENT DISCUSSION AND ANALYSIS

You will surely arrive where you aspire

In 2021, the global pandemic stabilized as compared to that of the last year. As our country accelerated the construction of a new development paradigm of “dual cycle”, domestic market is recovering stably. The consumers in the PRC are confident and optimistic about the future and are willing to spend, thus the mobility of domestic consumers is enhanced. With the cultural confidence, self-dependent innovation and consumption upgrading which allows national trend and the rise of domestic products to show a more rapid development trend, the textile and garment industry in the PRC can make breakthroughs in this challenging environment, and embark on a new journey for boosting national fashion powerhouse building and high-quality development of the 14th Five-Year Plan.

The year of 2021 is a milestone year. With the 100th anniversary of the Chinese Communist Party, we witness the achievement of building a moderately prosperous society. We drew power from looking back at history and bravely started a new page. We reviewed the 45-year growth process of the Bosideng Group, achieving many miracles in the great process of reform and opening up, and standing in the forefront of the industry at each stage of development. The momentum of the domestic economy remains stable at present and will continue in the right direction in the long term. A series of national strategies have been implemented, such as high-end quality brand development in central cities, city groups and metropolitan areas. Generation Z is the main force attracting national attention, constituting the core group of consumers who feel the enhancement of national strength, embrace national brands and release the improvement of brand concentration and new value growth of consumption empowerment. Various favorable factors have converged at an accelerated pace, which allows the brand to develop in an extensive era stage.

FY2021/22 is the opening year of the New Three-year Strategic Plan of the Group. The Group will adhere to the strategic direction of “focusing on principal business and the key brand” and the “Brand Leadership” development model. Through the comprehensive systematic development of our products, channels, retails and supply chains, we aim to reach the goal of sustainable, stable and high quality development and implement the mission of “Bosideng warms the world”.

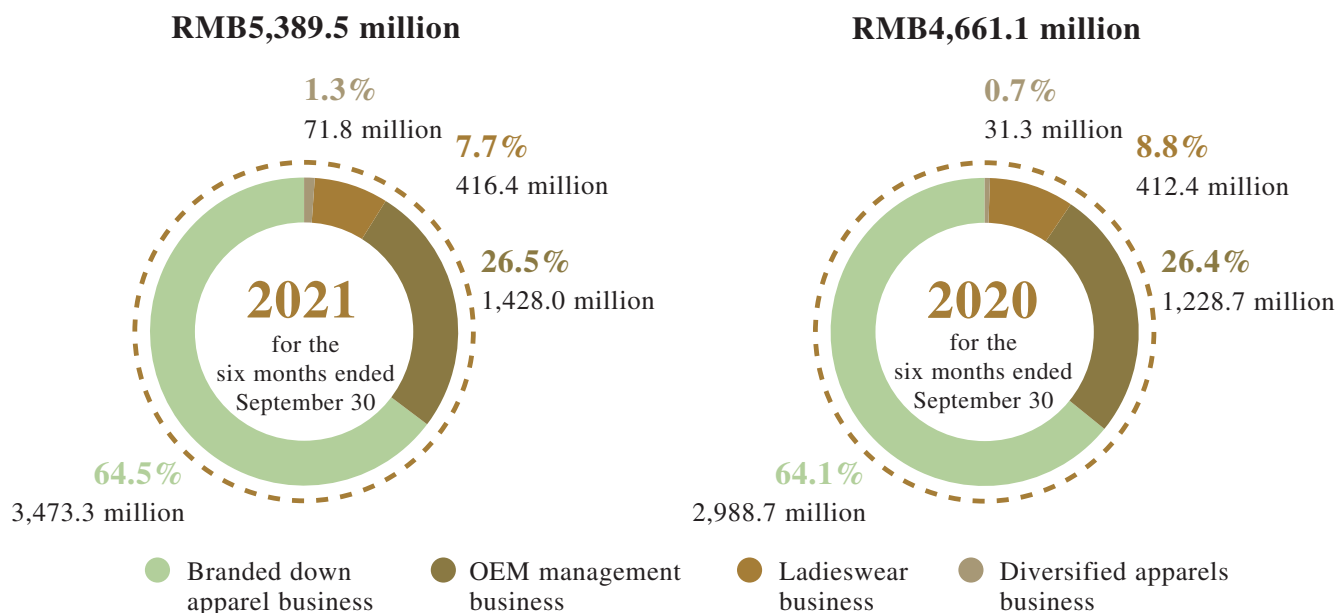
REVENUE ANALYSIS

In FY2021/22, the Group established the objective of being the “world leading expert in down apparel”. By centering on users and being guided by brands, we focused on building leading channels, leading commodities, a leading image, leading retails, and leading user operations, which in turn realized the stable and quality growth of the branded down apparel business.

For the six months ended September 30, 2021, the revenue of the Group was approximately RMB5,389.5 million, representing an increase of approximately 15.6% as compared to the corresponding period of last year. The branded down apparel business, OEM management business, ladieswear business and diversified apparels business are the Group’s main business segments.

The branded down apparel business remained the biggest revenue contributor of the Group, and recorded revenue of approximately RMB3,473.3 million, accounting for 64.5% of total revenue, representing a year-on-year increase of 16.2%. The OEM management business recorded revenue of approximately RMB1,428.0 million, accounting for 26.5% of total revenue, representing a year-on-year increase of 16.2%. The ladieswear business recorded revenue of approximately RMB416.4 million, accounting for 7.7% of total revenue, representing a year-on-year increase of 1.0%. The diversified apparels business recorded revenue of approximately RMB71.8 million, accounting for 1.3% of total revenue, representing a year-on-year increase of 129.2%.

REVENUE BY BUSINESS



Branded Down Apparel Business:

In the first half of FY2021/22, the Group continued to focus on its “brands, products, channels and terminals” to carry out systematic construction from all angles. In terms of brand upgrading, we adhered to our position as a down apparel expert with our competitive strategy being upgraded from being the “top-selling down apparel expert in the world” to the “world leading expert in down apparel”. In terms of product innovation, the Group further took advantage of its own competitiveness, and focused on the research and development of cutting-edge and leading fashionable products, which enabled it to improve the proportion of mid- to high-end products with leading technologies, and to achieve the systemization, fashioning and branding of products with design empowerment. In terms of channel upgrading, the Group paid more attention to the stable upgrading of channel structures. While focusing on the improvement of store layout in local shopping centers and core areas, it also focused on the extension and building of “2+13” key cities (namely Beijing, Shanghai and other 13 first-tier and new first-tier cities). In the meantime, through the repeated iteration of terminal store image and sales promotions in mainstream channel prosperous stores, we consolidated and further enhanced the operating ability and selling efficiency of our terminal stores.

For the six months ended September 30, 2021, the *Bosideng* brand under the Group's branded down apparel business recorded a year-on-year increase of 19.1% in revenue to approximately RMB3,246.3 million. The revenue of the overall branded down apparel business segment increased by 16.2% to approximately RMB3,473.3 million as compared to that of the corresponding period of last year.

Brand Building

In the past half year, the Group continued to consolidate its brand position as a “down apparel expert”, center on the strategic development direction of being the “world leading expert in down apparel” and adhere to the “Brand Leadership” development model. Leveraging on our world-leading market scale and professional strengths, we continuously made innovations and breakthroughs, so as to focus on the main business of down apparel. We also improved our brand image by centering on brand event building, empowerment media and new media advertising, quality brand content establishment and other sectors, continuously upgrading digitalized operation capabilities and enhancing sale chains to contribute to the improvement of our results.

The *Bosideng* brand also attaches great importance to its cooperation with internationally renowned designers and IPs. Through IP cooperation with the international designers, Walt Disney Company and Marvel, the Group launched brand new products which were well received and sought after among young consumers.

According to the *Bosideng* brand health tracking report made by Ipsos, *Bosideng's* current brand recognition and top-of-mind awareness rate are both in the leading position in China's apparel industry. Among them, the net promoter score (i.e. NPS) was as high as 55, and brand reputation was as high as 8.96. It has been the preferred down apparel expert brand for more than 67% of Chinese consumers. These indicators of brand health have improved over previous years, and the *Bosideng* brand recognition in the minds of consumers has become more positive.

In August 2021, Euromonitor International, an authoritative global market research agency, completed the statistics on sales revenue and sales volume of down apparel products from retail channels in 2020. As shown in the results, the down apparel scale of Bosideng Group ranked first around the world, and also ranked first in terms of sales revenue and sales volume, which meant that Bosideng Group ranks in the first echelon of global down apparel brands.

In September 2021, the *Bosideng* brand officially announced its brand spokespersons. Once we launched a blockbuster of fashionable series for the new season, it became a hot topic among consumers and received a number of favorable comments. In the same month, a new brand advertisement and image video of *Bosideng* brand came out, which became viral in first-tier and new first-tier cities and other core cities in the PRC. These videos were broadcasted in core cities, core commercial circles, outdoor railways from all channels as well as through user contact points such as Focus Media, which achieved high exposure within a short time and the media is highly accessible by the public.

Commodity Management

In the first half of FY2021/22, the Group continued to completely separate order placements of direct sales and wholesale. Single-store orders were applied to self-operated stores, which meant products for sale in single stores would match the demand for orders and products and would 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. In the first half of the financial year, the proportion of first orders placed between the Group and distributors remained at a low level, and the remaining orders shall be replenished based on actual market feedback and demand in the peak seasons. Such a demand-pull mechanism has played a significant role in the Group's centralized management of channel inventory and commodity structure during peak seasons.

In the first half of FY2021/22, the Group continued to stick to the concept of commodity operation management of the last financial year. With the management model of the Group's smart central delivery centre which serves all offline direct stores, franchised stores and e-commerce online to offline (i.e. O2O) businesses throughout the country, the Group unified the inventory management of 9 direct large warehouses and 12 small warehouses of distributors through an integrated inventory management platform. The Group adopted dynamic and static methods of inventory count during the process including suppliers' delivery, storage/return of commodities from the market to the warehouse, sorting and shelves arrangement to continuously optimize the availability of replenished goods in accordance with market sales conditions in conjunction with different strategies that allocate and store commodities.

As of September 30, 2021, the inventory turnover days of the Group were 212 and the inventory turnover days recorded an increase of 12 when compared to the corresponding period of September 30, 2020. This was mainly due to the following reasons: the Spring Festival of 2022 is earlier than that of the corresponding period of last year; based on the needs of epidemic prevention and control and the stabilization of supply chains, the purchase and order production arrangement of the Group has become more advanced as compared to that of the corresponding period of last year, thus, among which, the total amount of work in progress represented an increase of 82.4% as compared to that of the corresponding period of last year; meanwhile, taking into account the increasing costs of raw materials, the Group correspondingly prepared part of the raw materials in advance based on the needs of our annual quantification plan, representing an increase of 90.9% in the total amount of raw materials prior to the end of September 2021 as compared to that of the corresponding period of last year.

Supply Chain Management

The quick response of the Group's quality supply chains is an important competitive strength for our continued success in the industry and core competitiveness for maintaining the efficient and healthy sustainability of the Group. The Group has implemented the leading futures/spot commodity operation mode. The first batch of orders would be controlled within 40%, whilst the remaining would be continuously replenished on a rolling basis during the peak seasons according to market response, to support a shorter turnover cycle and higher efficiency by demand-pull restocking, quickly launching new products and quickly responding to small orders, thereby comprehensively achieving the target of maintaining high product quality and a quick response in supply.

In the first half of the financial year, the supply chains of the Group underwent systematic innovation upgrading in terms of resource integration, flexible and quick response times, excellent quality maintenance and leading costs. Despite the challenges and difficulties brought to the supply chain management of the Group from the COVID-19 epidemic and the policy regarding restrictions on electricity and production in 2021, the Group mitigated those risks through multilateral planning, coordination and cooperation. In terms of resource integration, the Group has maintained a number of domestic and overseas quality suppliers, which possess extremely strong risk resistance capabilities both in terms of product quality and in response to the policy regarding restrictions on electricity and production, mitigating any substantial impact. In terms of flexibility and quick response times, the Group realized end-to-end supply chain management and conducted system upgrading in respect of selling and production synergy, planning, cycle management, material preparation on a rolling basis and accurate order resource allocation, which shortened the order cycle from 2 weeks to 1 week in peak seasons and guaranteed accurate selling and inventory risk management. In terms of quality management, the Group regarded excellent quality and users' perception as the core bases for improvement, connected users' needs and experience for comprehensive upgrading of experience quality, aimed at domestic and overseas high-end resources, and controlled the high-end suppliers' qualifications, materials, production lines and standards. It also implemented a digitalized operation system for quality control, broke through the entire quality closed loop and made the whole process controllable and traceable, so as to ensure online and transparent quality control on a real-time basis. In terms of cost control, despite the increasing uncertainties in the market under the impact of the epidemic and the policy regarding restrictions on electricity and production in 2021, the raw materials market was generally unstable. In this regard, the Group realized a long-term and win-win cooperation strategy by connecting the *Bosideng* brand empowerment, volume and capital advantages with a long-term win-win strategy, to build a front-to-end supply chain system and to establish a strategic strategy for efficiency improvement and cost reduction jointly with suppliers, which in turn ensured stable costs and protection against external abnormal conditions.

Logistics and Delivery

For logistics and delivery, the Group continuously adopted a system to automatically match transport and delivery resources for each order based on traffic (mainly based on order quantity, weight and size), factoring in limitations such as the advantages of social transport and delivery resources, transport costs and timeliness. The Group also collects and monitors data in respect of each step of the entire process, including collection, distribution, in-transit and sign-off.

In the first half of FY2021/22, the Group has implemented an automatic and smart allocation system based on commodity attributes in conjunction with each carrier's ability and price in all regions of the PRC by way of enhancing the system transportation modules of EWM. Under the premise of maintaining reasonable costs, we maximized our service efficiency and improved users' experience.

Digital Operation

In light of the uncertain environment for development, digitalization is the greatest certainty. The transformation and reform of digital operations has been a top priority of the Group's infrastructure construction in recent years.

In terms of research on digital transformation, in recent years the Group has made significant achievements in digitalization implementation in many aspects, including smart manufacturing, smart logistics and smart commodity operations. It has gradually entered into the deep waters of digital transformation to unite perception for cohesion. While continuously learn on excellent benchmarking enterprises and successful cases, we have gradually established the focus on users, retailing and commodities as the starting points for future digital transformation.

In terms of digital operation, based on the development trend of modern information technology and combined with the existing system or application usage of the Group, we have released top-level IT architecture design work in line with the trend of the times under the principle of one entrance, one platform and the entire life cycle management of IT products, and comprehensively formulated a three-year implementation plan for downlisting, upgrading, integrating, reconstructing and newly constructing IT products, and ultimately realized the goals of a mobile office, online business, digital operations and intelligent decision-making, thereby providing powerful technical solving tools or solutions for the Group's digital transformation.

New Retail Operations

In the first half of the financial year, the Group continued to use corporate WeChat to build a more convenient communication bridge with customers, and achieved 1.52 million new corporate WeChat fans. The Group had over 6.00 million followers on its *Bosideng* brand WeChat account and over 2.20 million followers on its Douyin official account. The Tmall platform of *Bosideng* brand has 4.88 million registered members. Among them, the number of young consumers under the age of 30 accounted for approximately 43.2%, a significant increase from the same period of last year. Member retention accounted for 38.8% of total member purchases.

In terms of new retail digital innovation, we continued to create customer tags through the Alibaba Data Center, reach customers with high-quality digital content and generate sales through checkout mini programs. At the same time, we provided marketing assistance 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.

Technological Innovation

The Group attaches great importance to the technological innovation of products, incorporating scientific and technological innovation into the core strategy of our supply chain and continuously increasing input. In the first half of the financial year, the Group undertook an Antarctic scientific expedition and research into the technology and quality services of climbing products, applied for an aggregate of 112 patents, including inventions, utilities and appearance patents, and obtained 28 patent certificates applied during previous years, which provided patented technology and endorsement support for down apparel experts. In the first half of the financial year, the Group applied and put odor-removing down apparel into production on a large scale, and has mastered the core technology of odor-removal. As of the date of this announcement, the Group has accumulated 311 patents (including invention, utility model and appearance patents).

The Group plays the role of the down apparel sub-committee of the National Clothing Standards Committee and the ISO/TC133 secretariat, the core drafting unit and the first drafter of the Down Clothing standard GB/T14272-2021, and the fourth drafting unit of Ski Clothing, the first drafting unit and the drafter of the Standards for Design Assessment on Green Design Products – Down Clothing (《綠色設計產品評價設計規範－羽絨服裝》). For three consecutive years, the Group has been awarded the top-ranked Corporate Standard Leader for down apparels by the State Administration of Market Regulation, fully demonstrating the Group's image as a standard leader.

Research and Development of Products

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

The combination of product design and consumer preferences is the key to product innovation. The Group conducted precise development of different series of products for consumers based on consumer preferences and cognitive models. On the whole, new product development of the Group was articulated in different scenarios: “sports” represented fashion, “business” represented quality, “outdoor” represented functions and “leisure” focused on current fashion trends to create hot-selling products. Through end-to-end integration of development for a series of scientific, objective and methodical design processes covering customer research, market research, trend analysis, commodity planning, design planning, promotion planning, product development, customer appreciation, ordering feedback, sales feedback and summary review, we endeavored to present new series of products to consumers. In addition, the Group also attaches great importance to cooperation with international designers and well-known IPs, and develops new products by continuously introducing new ideas and concepts, and combining the unique brand genetic characteristics of the *Bosideng* brand.

In the first half of the financial year, the urban multifunctional jacket of Bosideng won the ISPO Award – Global Design Award. The professional warmth series sponsored the 38th Antarctic expedition mission of the Chinese Antarctic expedition team.

THE KEY PRODUCT COLLECTIONS IN THE FIRST HALF OF FY2021/22 INCLUDED:

City Sport Collection

Goosebumps (hereinafter referred to as “**GB**”) was originated from goose bumps resulting from coldness, excitement or touch. Wearing the GB collection, which integrates function and fashion, will enable a more comfortable, relaxed and natural city life. This season, we incorporated more vintage print elements into the existing colourful and workwear style and used 600+ high-loft quality goose down in combination with the trendy silhouette to lead the new fashion.

Stylish Sport Collection

Nature has evolved to provide for the sustainability for life, and while creating new things, the burden on them is slowly increasing. Nowadays, we also feel the “agitation” of the earth, while the process of human civilization and the development of the natural environment form two sides. This collection takes the snowy mountains in the nature as the origin, combining fashionable color schemes and 3D streamline shapes to inject a young and energetic style element into the theme products. Meanwhile, it upgrades the process that tightly locks down the craftsmanship spirit to offer downproof and more comfortable apparel to consumers.

Puff Collection

With the changing times and environment, people gravitate towards “light” fashion, returning to the most classic comfort experience of a down jacket. Defined by fashionable light-sensitive and super-light-and-soft nylon fabric, exquisite structure design, 3D fashion silhouette and waist classic version with hundreds of different models, the collection is stylish, light and fluffy and can maintain warmth for a long time, which can meet all-round demands for people’s daily commuting and socials with their friends. Products of the collection are promoted by celebrities and loved by consumer groups.

Golf Collection

By using 360-degree high-quality stretch fabric and 3D tailoring, the collection enables people to be comfortable and slim, dynamic and free; the collection is made of 90% high-quality goose down with 600+ fill power, which makes it warm and light with improved quality. In terms of technology, Germany anti-lint technology and anti-drilling sewing technology are adopted and the needle holes are smaller so as to effectively prevent the down cluster from sticking out of needle holes.

Light Down Apparel Basic Collection

Carrying forward the Bosideng’s 45-year classic version, we adopted new 25D super soft yarn and Japan’s calendering and softening process to bring a cloud-like gentle touch; we choose fashionable bright colors to meet the needs of different consumers and create a vitality for the winter dreary. The collection is made of 90% high-quality duck down with 600+ fill power and thus it is light, comfortable and fit for health, and brings customers peace of mind. In terms of technology, anti-lint technology and anti-drilling sewing technology are adopted and the needle holes are smaller so as to effectively prevent the down cluster from sticking out of needle holes.

Multi-brand Strategies

While emphasizing the development of the *Bosideng* brand and reshaping Bosideng as a mid-to-high-end functional brand in today’s era, 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

In the first half of FY2021/22, the *Snow Flying* brand recorded revenue of approximately RMB112.4 million, representing a year-on-year increase of 9.5%. In the past half of year, the *Snow Flying* brand continued to launch its online distribution business, and achieved steady development of the brand.

In the past half year, in terms of channel development, the *Snow Flying* brand continuously enhanced the “Internet +” business model, gave priority to online channels, established online brands for distribution authorization and new live broadcast retailing as the strategic development business, and utilized top traditional e-commerce platforms and emerging new platforms featured by internet traffic, thus promoting the further expansion and development of online channels. In terms of authorization model innovation, the high-quality resources of the superior ODM suppliers in the industry were integrated to seize mainstream sales channels in collaboration with high-quality distribution operators in the industry. In terms of product expansion, while focusing on building hot-selling collections, the *Snow Flying* brand also expanded products in each season and engaged in innovation for mid-market products.

Bengen

In the first half of FY2021/22, the *Bengen* brand recorded revenue of approximately RMB28.1 million, representing a year-on-year decrease of 74.1%. According to *Bengen*'s analysis on the then channels and resources for the FY2020/21, *Bengen*'s traditional business model, which was based on wholesale agents, no longer has market competitiveness. Therefore, since the last financial year, *Bengen* has greatly reduced its offline agency channels and begun to develop online channels. In the first half of the financial year, the *Bengen* brand has been removing its inventory of old collections and reducing offline stores. Meanwhile, the *Bengen* brand increased product coverage and consumer coverage through an online distribution model, and recorded online distribution authorization revenue of approximately RMB5.1 million, achieving GMV (retailing sales) over RMB130.0 million, representing an increase of more than 110.0% on a year-on-year basis.

Revenue from down apparel business by brand

Brands	For the six months ended September 30, 2021		2020		Changes
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
<i>Bosideng</i>	3,246.3	93.5%	2,725.8	91.2%	19.1%
<i>Snow Flying</i>	112.4	3.2%	102.7	3.4%	9.5%
<i>Bengen</i>	28.1	0.8%	108.6	3.7%	-74.1%
Others	86.5	2.5%	51.6	1.7%	67.8%
Total revenue from branded down apparel business	3,473.3	100.0%	2,988.7	100.0%	16.2%

Revenue from branded down apparel business by sales category

Sales categories	For the six months ended September 30, 2021		2020		Changes
	RMB million	% of branded down apparel revenue	RMB million	% of branded down apparel revenue	
Self-operated	1,147.6	33.0%	1,108.9	37.1%	3.5%
Wholesale	2,239.2	64.5%	1,828.2	61.2%	22.5%
Others*	86.5	2.5%	51.6	1.7%	67.8%
Total revenue from branded down apparel business	3,473.3	100.0%	2,988.7	100.0%	16.2%

* Represents revenue mainly from sales of raw materials, which are related to down apparel products

Business Channel Construction of Down Apparel Brand

In the first half of FY2021/22, the Group has been improving the quality of channels to increase their efficiency. In terms of offline channel construction, first, the Group paid more attention to the channel structural layout and targeted “2+13”, i.e. 15 first-tier and new first-tier cities in total; second, the Group paid more attention to the quality of channels, and established better stores in shopping malls, popular business areas and core areas of cities by “closing down small stores and opening large ones”; third, the Group further enhanced the layout of multi-level markets and established corresponding self-operated stores or dealers’ stores according to options and plans in markets at different levels to start sales in local markets. As at September 30, 2021, the total number of selling points of the Group’s down apparel business (net) decreased by 149 to 4,001 as compared to that as at the end of last financial year; self-operated selling points (net) increased by 2 to 1,809 and selling points operated by third party distributors (net) decreased by 151 to 2,192. The self-operated and third party distributor-operated selling points as a percentage of the overall selling points were 45.2% and 54.8%, respectively. Among the total selling points of the Group’s branded down apparel business, approximately 31.0% were located in the first- and second-tier cities (namely, Beijing, Shanghai, Guangzhou, Shenzhen and provincial capital cities in China) and approximately 69.0% were located in the third- and lower-tier cities.

Retail network breakdown by down apparel brand

As at September 30, 2021	<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	1,073	-2	8	4	1	-4	1,082	-2
Operated by third party distributors	1,723	-36	100	-1	8	-62	1,831	-99
Subtotal	2,796	-38	108	3	9	-66	2,913	-101
Concessionary retail outlets								
Operated by the Group	589	23	121	-10	17	-9	727	4
Operated by third party distributors	269	-17	68	-3	24	-32	361	-52
Subtotal	858	6	189	-13	41	-41	1,088	-48
Total	3,654	-32	297	-10	50	-107	4,001	-149

Change: Compared with that as at March 31, 2021

Retail network of branded down apparel business by region

	As at September 30, 2021	As at March 31, 2021	Change
Eastern China	1,372	1,412	-40
Central China	864	949	-85
Northern China	357	380	-23
Northeast China	478	465	13
Northwest China	412	448	-36
Southwest China	518	496	22
Total	4,001	4,150	-149

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 FY2021/22, revenue from the Group's OEM management business amounted to approximately RMB1,428.0 million, representing 26.5% of the Group's revenue and an increase of 16.2% 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 98.1% of its total revenue.

During the past six months, the global pandemic has been under control to a certain extent as compared to that of the corresponding period of last year. The overall development of the OEM management business was benign and the number of orders from core customers has maintained a steady growth. The delivery of products has been improved due to the Group's domestic and overseas resource layouts. Meanwhile, through various measures adopted by the Group to strictly control costs and expenses, the gross profit margin of the OEM management business increased by 1.0 percentage points to 19.1%.

The Group has gradually expanded its production layout in Southeast Asia (including but not limited to Vietnam) and other places in the past two years. During the first half of FY2021/22, production in parts of Southeast Asia was affected by the local pandemic. On the one hand, the Group has transferred part of the orders back to the domestic side for production to ensure quality and delivery; on the other hand, the Group's resident team in Vietnam worked closely with local factories to improve management efficiency and minimize adverse impacts. On the whole, in the past half year, the Group has optimized and adjusted the efficiency and capabilities of upstream production as much as possible while continued to maintain its core group of customers and achieve steady growth in orders, so as to match the increasing order demand for OEM management.

Fashion Ladieswear Business:

The Group operates four mid- to high-end ladieswear brands to cater to customers' dressing needs on different occasions. After several years of brand accumulation, the four brands present a rich product hierarchy and unique differentiated style positioning. *JESSIE* focuses on elegant urban scenarios and features simple and capable products, highlighting the self-confidence of intellectual women; *BUOU BUOU* features elegant, romantic and detail-oriented products, while each of *KOREANO* and *KLOVA* features understated-luxury products to demonstrate the sophistication and elegance of oriental women, bringing the ultimate wearing experience to customers. In the highly competitive ladieswear market in the PRC, the Group has won the favor of Chinese female consumers through its rich product hierarchy image and brand positioning.

During the first half of FY2021/22, revenue from the Group's ladieswear business was approximately RMB416.4 million, representing a slight increase of 1.0% as compared to that of the corresponding period of last year. The contribution from the ladieswear business to the Group's total revenue was 7.7%. Revenue from the ladieswear brands were as follows:

Revenue from ladieswear business by brand

Brands	For the six months ended September 30, 2021		2020		Change
	RMB million	% of ladieswear revenue	RMB million	% of ladieswear revenue	
<i>JESSIE</i>	123.1	29.6%	133.9	32.5%	-8.0%
<i>BUOU BUOU</i>	112.0	26.9%	107.3	26.0%	4.4%
<i>KOREANO and KLOVA</i>	181.3	43.5%	171.2	41.5%	5.9%
Total revenue from ladieswear business	416.4	100.0%	412.4	100.0%	1.0%

Revenue from ladieswear business by sales category

Sales categories	For the six months ended September 30, 2021		2020		Change
	RMB million	% of ladieswear revenue	RMB million	% of ladieswear revenue	
Self-operated	392.2	94.2%	366.8	88.9%	6.9%
Wholesale	24.2	5.8%	45.6	11.1%	-47.1%
Total revenue from ladieswear business	416.4	100.0%	412.4	100.0%	1.0%

Fashion Ladieswear – JESSIE

After enhanced development and growth for over 20 years, *JESSIE* brand has created a unique brand image and cultivated a loyal customer base. However, in light of severe competition in the ladieswear industry in China, and the fact that *JESSIE* lagged in its product adjustment and its key sales stores were affected by the pandemic and other factors, *JESSIE*'s revenue for the first half of the financial year decreased by 8.0% to approximately RMB123.1 million, of which the revenue of self-operated business increased by 3.2% to approximately RMB104.1 million and of wholesale business decreased by 42.4% to approximately RMB19.0 million, respectively.

Exposed to operational pressure, *JESSIE* management team actively explored methods such as refined product management and empowered enhancement marketing integration to cope with such pressures. During the first half of FY2021/22, in terms of channel construction, *JESSIE* continued to promote channel optimization and upgrades, and enhanced the competitiveness of sales channels through expanding (adjusting) locations, renovating and expanding new stores in fashion department stores, pedestrian streets, etc. As for self-operated channels, the quality of the direct operation has been improved through strengthening the operation management and control of the direct operation sector; for distribution channels, the franchised operation management model was optimized. By way of collaboration and close coordination between customer service supervisors and sales supervisors, operation management has been promoted towards profession and refinement from five key dimensions, i.e., terminal team, commodities, VIP, marketing activities and incentive plans, thus actively empowering the franchised terminals.

In respect of product design, *JESSIE* has started to reorganize and adjust the structure of the design team, integrated resources of high-quality designers in the market, and made advancements in many aspects including product design, models and craftsmanship, color matching and material selection, so as to cater for the rapid changing fashion trend of ladieswear and enhance the “*JESSIE Style*” of new season products.

Fashion Ladieswear – BUOU BUOU

In the first half of FY2021/22, *BUOU BUOU* actively adjusted its management ideas and operation approaches, and actively responded to the market through store upgrades, channel upgrades and refined management to curb the downward trend in the recent years, and thus it recorded revenue of approximately RMB112.0 million, representing an increase of 4.4% as compared to the corresponding period of last year, of which the revenue of self-operated business increased by approximately 12.8% to approximately RMB106.9 million and revenue of wholesale business decreased by approximately 59.2% to approximately RMB5.1 million.

In terms of store upgrades, *BUOU BUOU* focused on the performance improvement of individual outlet stores, while emphasizing on the building of benchmark stores. The team of *BUOU BUOU* has driven the remodeling of a series of stores through upgrading the image of some benchmark stores, reorganizing the display and matching styles of commodities, and uniformly training and guiding front-line sales staff.

In terms of channel upgrades, *BUOU BUOU* has optimized the structure of existing channels through the expansion of high-quality channels. Through continuous expansion and optimization of channel construction, in addition to traditional department stores, the team of *BUOU BUOU* has strived to embrace shopping malls and fashion department stores and regarded pop-up stores as supplements to offline physical stores; meanwhile, some franchisees have actively transformed their identities, i.e., from a franchise agency relationship to a cooperative operation relationship, to achieve win-win prospects.

In terms of product design, the *BUOU BUOU* team has paid attention to the young and new generation of consumer groups and cultivated the same as key customer groups. Through analyzing the clothing preferences of the younger generation, youthful elements have been brought into product innovation. Meanwhile, new product matching styles have been delivered to target consumers in an all-round way through new media platforms such as official accounts, WeChat accounts, and WeChat malls.

Fashion Ladieswear – KOREANO and KLOVA

By virtue of over 31 years of brand accumulation, the stable and mature operation model of full direct operation channel, the loyalty and recognition of a wide membership and customer base and good product design and development capabilities and other advantages, the results of *KOREANO and KLOVA* showed prominent achievement in the ladieswear business sector. Revenue from *KOREANO and KLOVA* during the first half of FY2021/22 was approximately RMB181.3 million, representing an increase of 5.9% from the corresponding period of the previous year.

In terms of product operations, *KOREANO and KLOVA* continued to adhere to stable pricing and retail price strategies, and always insisted on the product design presentation of “Fashion, High-end, Comfort and Customization”, to strengthen VIP membership services and experience, and enhance brand power and reputation.

In terms of channel construction, in the first half of the financial year, in order to match the sustainable growth for the next three years, *KOREANO and KLOVA* have accelerated their channel expansion and layout, and at the same time, further optimized store compensation incentive plans to establish an effective and healthy competition mechanism through the establishment and evaluation of various store employee incentive policies.

In terms of brand promotion, in the first half of the financial year, *KOREANO and KLOVA* participated in the “New Product Release on New York Fashion Week” catwalk event, and simultaneously promoted brands through new media channels such as Douyin, Weibo, our WeChat official account, etc., by way of short videos to encourage brand power enhancement and membership recruitment.

Business Channel Construction of Fashion Ladieswear

As at September 30, 2021, the total number of retail outlets of the Group’s ladieswear business (net) decreased by 11 to 466, self-operated retail outlets (net) increased by 6 to 360 and net retail outlets operated by third party distributors (net) decreased by 17 to 106, respectively. Self-operated retail outlets and those operated by third party distributors accounted for 77.3% and 22.7% of the entire retail network, respectively. Of the total retail outlets of the Group’s ladieswear business, approximately 60.3% are located in first and second-tier cities (i.e. Beijing, Shanghai, Guangzhou, Shenzhen and provincial capital cities in China) and approximately 39.7% are located in third-tier cities or below.

Retail network breakdown by ladieswear brand

As at September 30, 2021	<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	-	12	-	-	-	-	-	13	-
Operated by third party distributors	16	-3	8	-2	-	-	-	-	24	-5
Subtotal	17	-3	20	-2	-	-	-	-	37	-5
Concessionary retail outlets										
Operated by the Group	104	-1	107	2	80	5	56	-	347	6
Operated by third party distributors	66	-7	16	-5	-	-	-	-	82	-12
Subtotal	170	-8	123	-3	80	5	56	-	429	-6
Total	187	-11	143	-5	80	5	56	-	466	-11

Change: Compared with those as at March 31, 2021

Retail network of ladieswear business by region

	As at September 30, 2021	As at March 31, 2021	Change
Eastern China	56	60	-4
Central China	154	158	-4
Northern China	53	47	6
Northeast China	56	59	-3
Northwest China	85	90	-5
Southwest China	62	63	-1
Total	466	477	-11

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 FY2021/22, revenue from our diversified apparels business was approximately RMB71.8 million, representing an increase of 129.2% 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 apparels business such as the *MAN* and *HOME* brands to the Group’s total revenue further dropped. However, the school uniform business developed by the Group in 2016 recorded a significant growth in the first half of the financial year. Therefore, the proportion of the overall diversified apparels business in the Group’s total revenue increased slightly to 1.3% from the corresponding period of the previous year. Revenue from diversified apparels brands during the first half of the financial year were as follows:

Revenue from diversified apparels business by brand

Brands	For the six months ended September 30,		2021		2020		Change
	RMB million	% of diversified apparel business revenue	RMB million	% of diversified apparel business revenue	RMB million	% of diversified apparel business revenue	
<i>Sameite</i>	55.8	77.7%	12.4	39.6%	348.7%		
Other brands and others	16.0	22.3%	18.9	60.4%	-15.3%		
Total revenue from diversified apparels business	71.8	100.0%	31.3	100.0%	129.2%		

Revenue from diversified apparels business by sales category

Sales categories	For the six months ended September 30, 2021		2020		Change
	RMB million	% of diversified apparel business revenue	RMB million	% of diversified apparel business revenue	
Self-operated	56.0	78.0%	15.2	48.6%	268.1%
Wholesale	13.0	18.0%	11.3	36.1%	14.3%
Others*	2.8	4.0%	4.8	15.3%	-40.6%
Total revenue from diversified apparels business	71.8	100.0%	31.3	100.0%	129.2%

* *Represents rental income*

School uniform business – Sameite

During the first half of FY2021/22, the school uniform business under the diversified apparels business segment remained in operation under *Sameite*. Adhering to the clothing design concept of “carrying education with clothes and inheriting culture with clothes”, the *Sameite* brand insists on providing students with safe, comfortable, fashionable and functional school uniforms, and expects to dress every child in the uniform of his or her dream as its mission. Currently, *Sameite* serves more than 500 schools, with an annual supply of over one million pieces.

During the past half year, the *Sameite* brand continued to promote the upgrading of channels, and through cooperation with well-known domestic education groups and benchmark schools, to increase revenue and expand market coverage. At the same time, the *Sameite* brand continued to pursue leadership in products, and increase core brand coverage by upgrading techniques, creating popular styles, etc. Through the innovative independent digital system, we launched online retailing and cross-regional distribution, and launched the independent campus apparel, which was well received by schools.

In the first half of the financial year, the *Sameite* brand won the title of the Strategic Partner of Maitian Welfare (麥田公益戰略合作夥伴), the Special Award in the 2021 China School Uniform Design Competition in terms of primary school student sport collection, First Prize in the 2021 China School Uniform Design Competition in terms of high school student sport collection, the 2020 China Top Ten Popular School Uniform Brand Award, the Reliable Quality Product in the PRC and the Leading Quality Brand in the PRC School Uniform Industry, etc.

During the first half of FY2021/22, contract orders for the school uniform business of *Sameite* recorded an increase of 98.8% as compared to that of the corresponding period of last year, and revenue amounted to approximately RMB55.8 million, representing an increase of 348.7% as compared to that of the corresponding period of last year.

Other Diversified Apparels Business

Since FY2018/19, the Group started to downsize the diversified apparels business segment comprehensively. This resulted in the significant reduction in size of the *MAN* and *HOME* brands during the past financial years and the first half of this financial year. Children's wear business has been cooperated with the Japanese brand of *Petit main* and expanded its business with online platforms. As the brand awareness is low in China and the commodity supply chain has not been established, the overall operation was moderate.

ONLINE SALES

Online sales channel has been a key focus of the Group for vigorous development. Since the Group's strategic transformation in 2018, it continued to show high-quality growth.

In the development of online platforms in the past half year, online channels have been further transformed and expanded. In 2021, based on omni-channel layout and gradually expanded through Jingdong, Douyin and other channels. Based on the online omni-channel layout, the Group had realized sales in more channels. Meanwhile, except online direct sales channels like Tmall, Vipshop, Jingdong and Douyin, the Group also focused on improving the operating efficiency of online distributors by streamlining, efficiency improvement and operation refinement.

In terms of brand building, the Group enhanced efficiency through the establishment of a new crowd tag; increased the page stay time of customers through continuous store visual upgrading; built category trend words with the industry, to attract consumers' attention, and repeatedly appear on the hot searches.

The Group adhered to the development of online platforms to keep pace with the times. In addition to actively breaking the inherent thinking and cooperation with emerging short video platforms, the Group also continued to focus on developing the coverage of online omni-channel live broadcasting businesses. For example, as of September 30, 2021, more than 95% of *Bosideng* brand's revenue from Douyin came from live broadcasts. At the same time, the Group mainly cooperated with the KOL, which is popular among consumers on various platforms, for live broadcasts.

In terms of member maintenance and expansion, as of September 30, 2021, the flagship store at Tmall of *Bosideng* brand attracted approximately 4.88 million members, and more than 11.40 million fans; *Bosideng* brand wechat account attracted more than 6.00 million fans; especially noteworthy was that the *Bosideng* brand attracted more than 2.20 million fans at Douyin platform in just half a year; on the whole, the proportion of young and new consumer groups under the age of 30 had steadily increased.

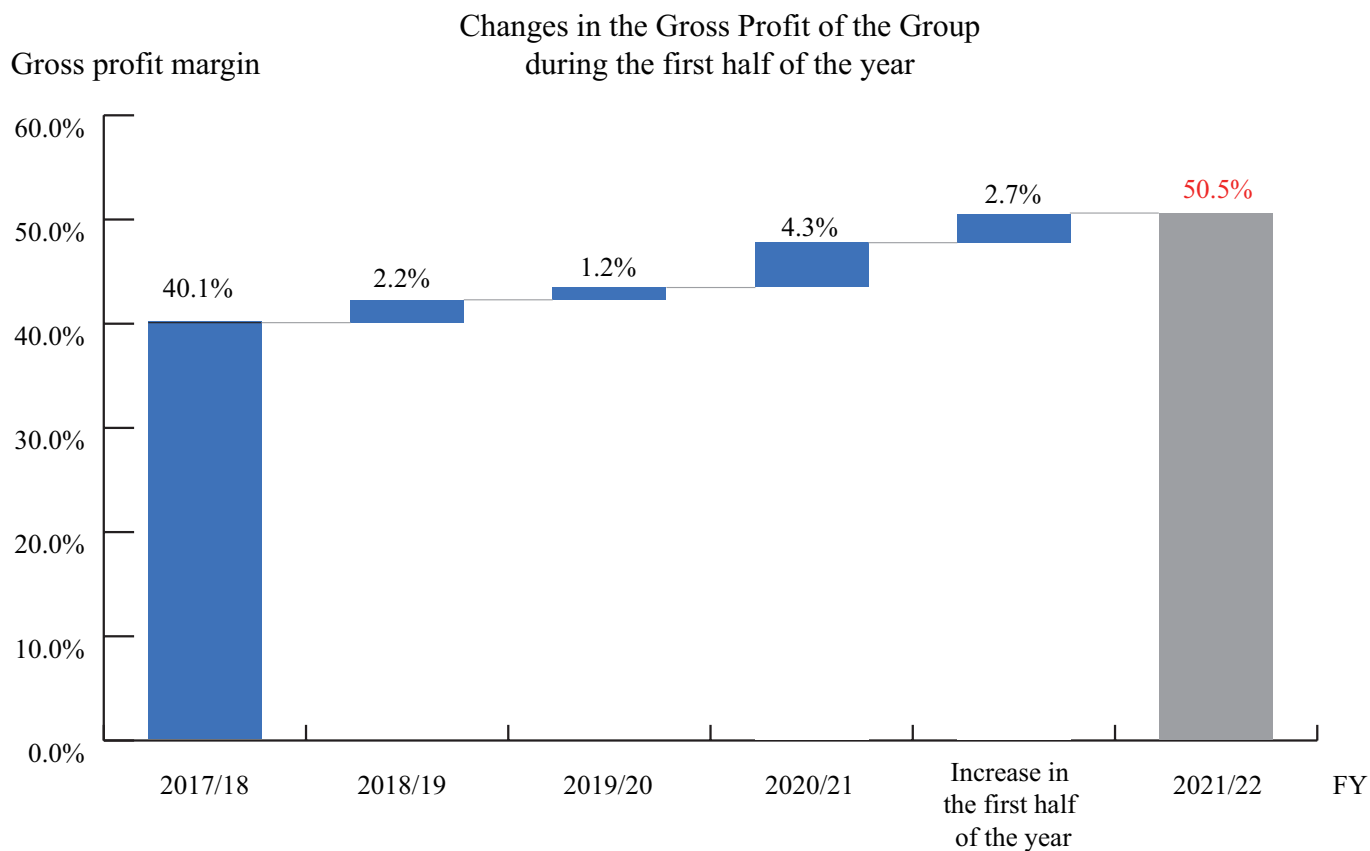
After the successful destocking in the past year, with the further upgrading of the brand and product innovation in the first half of the financial year, the proportion of product sales revenue in the middle and high price segment of the Group had steadily increased.

During the first half of FY2021/22, revenue from the total online sales of the Group's brands was RMB706.9 million, representing a year-on-year increase of 31.5%. Revenue from the online sales of the branded down apparels and ladieswear businesses for the period was approximately RMB661.0 million and RMB41.7 million, accounting for 19.0% and 10.0% 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 RMB389.6 million and RMB317.3 million, respectively.

GROSS PROFIT

During the first half of FY2021/22, gross profit of the Group increased by 22.2% as compared to that of the corresponding period of last year, from approximately RMB2,227.3 million to RMB2,720.8 million. With the successful brand upgrading and product upgrading, the gross profit margin increased by 2.7 percentage points as compared to that of the corresponding period of last year, from 47.8% to 50.5%.

The gross profit margin of the Group has continued to increase steadily year by year, surpassing the highest level in its history.



Gross profit margin of the branded down apparel business increased by 4.7 percentage points to 61.1%, mainly because during the past half year, with the successful brand reshaping, the key products of the *Bosideng* brand under the down apparel business were mainly high-unit price products, with a significantly upgraded product structure as compared with the corresponding period of last year. It is inseparable from the Group's "Brand Leadership" model since its strategic transformation in 2018, its adherence to product innovation and channel upgrading, and devotion to the strategic goal of building the "world leading expert in down apparel". The gross profit margin of the OEM management business recorded an increase of 1.0 percentage points to 19.1% through various measures to strictly control costs and expenses. The gross profit margin of the ladieswear business was basically the same at 73.6% as compared to that of the corresponding period of last year.

The table below sets out the analysis on the gross profit margin of each brand:

Brands	For the six months ended September 30,		Change percentage point
	2021	2020	
<i>Bosideng</i>	62.6%	57.1%	5.5
<i>Snow Flying</i>	41.1%	42.4%	-1.3
<i>Bengen</i>	6.2%	45.7%	-39.5
Branded down apparel business	61.1%	56.4%	4.7
OEM management business	19.1%	18.1%	1.0
<i>JESSIE</i>	67.4%	69.3%	-1.9
<i>BUOU BUOU</i>	68.8%	71.7%	-2.9
<i>KOREANO and KLOVA</i>	80.8%	78.1%	2.7
Ladieswear business	73.6%	73.6%	0.0
Diversified apparels business	28.2%	49.3%	-21.1
The Group	50.5%	47.8%	2.7

OPERATING PROFIT

During the first half of FY2021/22, the Group's operating profit increased by 19.6% to approximately RMB797.0 million. Operating profit margin was 14.8%, representing an increase of 0.5 percentage points as compared to 14.3% 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 FY2021/22, the Group's distribution expenses, mainly comprising of advertising and promotion expenses, depreciation charge of right-of-use assets, contingent rents and sales personnel expenses, amounted to approximately RMB1,614.2 million, representing an increase of 33.5% as compared to approximately RMB1,209.0 million of the corresponding period of last year. The Group's distribution expenses accounted for 29.9% of its total revenue, representing an increase of 4.0 percentage points as compared to 25.9% of the corresponding period of last year. The increase in distribution expenses was mainly due to the Group's efforts in the construction of terminal stores for the branded down apparel business, as well as the enhanced brand promotion and marketing efforts, which led to an increase in related expenses in the first half of the financial year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses, mainly comprising of salary and welfare, amortization of option fees, depreciation and consultancy expenses, amounted to approximately RMB452.8 million in the first half of the financial year, representing an increase of 16.0% as compared to approximately RMB390.3 million of the corresponding period of last year, mainly due to the amortization of the share-based payments incurred in the first half of FY2021/22 from the options to third parties granted in the second half of last year. The proportion of administrative expenses to the Group's total revenue remained stable compared to that of the corresponding period of last year.

FINANCE INCOME

During the first half of FY2021/22, the Group's finance income increased by 26.0% to approximately RMB130.7 million from approximately RMB103.7 million in the corresponding period of last year. The increase was mainly due to the increase in interest income from deposits of the Group during the period and the income recorded on financial assets classified as FVPL.

FINANCE COST

During the first half of FY2021/22, the Group's finance costs decreased to approximately RMB103.8 million, representing a decrease of 15.2% as compared to that of the corresponding period of last year. The decrease was mainly due to the year-on-year decrease in the foreign exchange losses on the OEM management business during the period.

TAXATION

Income tax expenses increased from approximately RMB156.4 million in the first half of FY2020/21 to approximately RMB196.8 million in the first half of FY2021/22. The effective tax rate was approximately 23.9%, which approximated to the standard PRC income tax rate of 25%.

DIVIDENDS

The Board recommended the payment of an interim dividend of HKD4.5 cents (equivalent to approximately RMB3.7 cents) per ordinary share for the six months ended September 30, 2021. The interim dividend will be paid on or around January 11, 2022 to shareholders whose names appear on the register of members of the Company on December 22, 2021.

LIQUIDITY AND FINANCIAL RESOURCES

During the first half of the financial year, the Group's net cash used in operating activities amounted to approximately RMB1,223.8 million, net cash generated from investing activities amounted to approximately RMB2,493.0 million and net cash used in financing activities amounted to approximately RMB1,121.8 million. As at September 30, 2021, cash and cash equivalents amounted to approximately RMB1,895.4 million.

As at September 30, 2021, the distribution of cash and cash equivalents by currency was as follows:

	<i>RMB'000</i>
Renminbi	1,153,336
US dollar	275,706
Pound sterling	3,922
Vietnamese dong	1
Hong Kong dollar	459,449
Japanese yen	89
European dollar	2,901
Total	<u>1,895,404</u>

In order to obtain higher returns on the Group's available cash reserves, the Group has invested in other financial assets, including capital guaranteed short-term investments with banks in the PRC, capital non-guaranteed short-term investments with banks and other financial institutions in the PRC, and other financial securities. The expected but unguaranteed returns of capital guaranteed short-term investments with banks ranged from 1.86% to 3.50% per annum. Other financial securities refer to trading stocks held by Shuo Ming De Investment Co., Ltd ("**Shuo Ming De Investment**"). Shuo Ming De Investment invested approximately RMB224,921,000 in February 2018 to subscribe for 12,184,230 non-public issued shares of Jinhong Fashion Group Co., Ltd. (a company listed in Shanghai Stock Exchange with stock code: 603518) ("**Jinhong Group**") at subscription price of RMB18.46 per share. Due to the bonus issue of shares by Jinhong Group in May 2019, the number of shares held by Shuo Ming De Investment increased to 17,057,922 shares, and the investment cost adjusted to RMB13.19 per share. In July 2021, Shuo Ming De Investment reduced its shareholding in Jinhong Group by 2,787,223 shares by way of centralized bidding, at an average price of RMB24.60 per share. It currently still holds 14,270,699 shares, representing less than 5% shareholding in Jinhong Group.

As at September 30, 2021, the bank borrowings of the Group amounted to approximately RMB1,011.0 million (March 31, 2021: approximately RMB670.9 million) and the carrying amount of liability component of the convertible bonds was approximately RMB1,613.6 million (March 31, 2021: approximately RMB1,609.5 million). The gearing ratio (being total borrowings/total equity) of the Group was 23.2% (March 31, 2021: 20.3%).

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the first half of FY2021/22, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures. There were also no other material investments or additions of capital assets authorised by the Board as at September 30, 2021.

CONTINGENT LIABILITIES

As at September 30, 2021, the Group had no material contingent liabilities. (March 31, 2021: Nil)

CAPITAL COMMITMENTS

As at September 30, 2021, the Group had outstanding capital commitments in respect of plant, property and equipment amounting to approximately RMB34.6 million (March 31, 2021: RMB12.9 million).

PLEDGE OF ASSETS

As at September 30, 2021, bank deposits amounting to approximately RMB1,187.9 million had been pledged to banks for the purpose of bank borrowings, and bills payable and letter of credit financing (March 31, 2021: approximately RMB657.3 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 prioritizing risk prevention and maintaining a sound cash management strategy. The Group's source of funding during the first half of FY2021/22 was primarily raised by cash generated from operating activities and/or bank borrowings. The major objective of the Group's treasury policies is to appropriately improve the comprehensive income level of funds on the basis of ensuring liquidity.

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, and therefore, the Group has chosen Renminbi as the reporting currency. 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 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, 2021, the Group had 9,458 full-time employees (March 31, 2021: 9,028 full-time employees), representing a period-on-period increase of 430 employees. Staff costs for the six months ended September 30, 2021 (including Directors' remuneration in the form of salaries, other allowances and equity-settled share-based transaction expenses) were approximately RMB595.3 million (during the same period of the previous financial year: approximately RMB600.5 million).

Based on the strategic deployment of the Group to become the “world leading expert in down apparel”, the Group focuses on the value creation that customers explicitly perceive, linking the Group's strategic core capabilities. Based on the present and looking to the future, the Group continues to strengthen the identification and development of strategic key employees and actively reserves the new generation of young talents. In the first half of the financial year, the Group actively expanded the diversified and professional talents and generation forces, and at the same time opened up the development path of the talents throughout the life cycle. Regarding the campus recruitment project carried out every year, the Group has been iteratively upgraded in recent years to mainly focus on domestic 985 and 211 colleges and universities. The talent selected tends to focus on the reserve forces of postgraduates and high-quality overseas study backgrounds. From graduates to group executives, the Company has opened up an entire training path, and gradually formed an operating mechanism that provides opportunities for those who want to accomplish, a stage for those who can accomplish and rewards those who succeeds. The Group hopes to gradually cultivate a group of outstanding reserve forces at all levels through large-scale professional training and personalized teaching.

The Group's remuneration and bonus policy is primarily based on duties, performance, outstanding contribution and length of service of each employee with reference to 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 or corresponding accommodation subsidies to those non-local university graduates, professional technicians and management staff who did not have a place of residence in Changshu once they were employed by the Group.

CORPORATE CULTURE

The Group attaches great importance to the construction and inheritance of corporate culture. We firmly believe that corporate culture is the foundation for the Group to realize the “100-year brand, 100 billion dreams”. It is the gene and essence of the corporation and brand in the entrepreneurial process, the soul and bloodline that run through the development of the corporation, and the driving force, spiritual pillar and guiding direction of development. In the course of the development of the Group, the excellent corporate culture with Bosideng's characteristics has been condensed, and a large number of outstanding backbones with Bosideng genes have emerged. It is precisely because of the strong cultural traction that the Group has successfully completed the strategic transformation of the past three years and laid the foundation for future strategy implementation. The Group advocates the practice of corporate culture, and unites the team's efforts with excellent corporate culture, to form highly consistent team ideas and concepts and highly consistent goals and actions and ensure the efficient achievement of strategic goals. Looking into the future, in order to achieve the strategic deployment of becoming the “world leading expert in down apparel”, the Group continues to innovate the implementation of corporate culture. Through the implementation

of corporate cultural behaviors, cadres at all levels lead by example, set benchmarks and use symbiotic learning and transformation, so that every employee can perceive and implement corporate culture.

TALENT DEVELOPMENT

In order to better support the achievement of the Group's talent training goals and undertake the strategic implementation for the next three years, the Group also attaches great importance to the cultivation of talents. After years of accumulation, we have completed the construction of a scientific system for talent training. From strategic interpretation, business path analysis, organizational structure inventory, job classification, to clear organization and personnel capabilities, competence standards, evaluation standards, evaluation process and other aspects involved in the talent training process have completed multiple rounds of iterations, perfectly adapting to the strategic implementation. On the one hand, the Group insists on introducing leading talents from outside to match market changes, lead industry development, and establish leading advantages. On the other hand, the Group will also continue to develop outstanding cadres, experts and strategic reserve talents internally.

The Group believes that talents are the cornerstone of brand development, and designers are the creators of core competitive products. Focusing on the goal of becoming the "world leading expert in down apparel", the product design team always takes the long-term goal of talent strategy to create a leading, diversified, professional and highly-creative organization. While actively introducing outstanding talents, the Group also focuses on helping the core team grow, constantly creating an atmosphere of organizational learning in the process, creating a reproducible knowledge system, establishing a scientific operation system, clarifying leading indicators, using motivational scores to inspire team passion, and adopting a regular accountability system to allow the team to carry out sustainable and iterative innovation and creation, and continue to produce refreshing products.

Store staff are the key contact for customers to perceive value. Therefore, the Group has gradually established a retail model with stores as the core force in the strategic deployment and development of the past three years, continuously strengthening the training of store staff, creating a younger store team with strong learning ability, continuously improving business skills and providing customers with quality services.

FUTURE OUTLOOK

2021 is the opening year of the Group's new three-year struggle. From the perspective of China's economic development in the post-epidemic era, with the strong recovery of China's economy, China's international voice and the influence of Chinese brands in the world grow stronger day by day. The rise of a great power is unstoppable. From the perspective of down wear category development, with the upgrading of consumption, the scale of China's down apparel market has grown significantly, international professional down wear brands and four-season brands have competed to develop in the Chinese market, with increasingly high brand concentration, obvious high-end trend of down apparel, and more apparent siphon effect of leading brands. From the perspective of Chinese brand development, standing at the new starting point of the "14th Five-year Plan", Chinese brands have ushered in the golden age of the rise of "new domestic products",

greeted the Chinese era of consumer heart dividend of domestic goods brand era. We will consolidate the leading target, think the future with the perspective of crossing times, and make sure that we predict for ten years, think for three years and carefully practice every year. We will make leading breakthroughs on key points and climb to a new peak for “world leading” brand and results through innovation, high quality supply and innovating new consumption needs. We strive to win in the fight of brand upgrading and high quality development, which allows us to develop in the global market with a slogan of “World Down Apparel, China Bosideng”.

Down apparel business: By focusing on positioning itself as the “world leading expert in down apparel”, the Group took its customer-value-oriented approach, continued to insist on the “Brand Leadership” development model, and used its brand power to lead the products, channels, retail, supply chain and other aspects to work together, which gained favor by mainstream consumers. At the same time, we deployed our mid-end *Snow Flying* and cost-effective and affordable *Bengen* brand down apparel, and took the initiative to strive for online channels through model innovation to stabilize and expand our market share.

Channel Upgrading

Through continuous attention to the “2+13” core cities and targeting core cities and mainstream business districts, the Group focused on core stores and further improved channel upgrading. At the same time, the Group continuously improved the image of terminal stores, enhanced the sales capabilities of professional shopping guides, and improved innovative digital retail operations to enhance precise customer expansion and membership operations, thereby improving the sales ability and efficiency of terminal stores.

Product Leadership

The Group has always taken its customer-value-oriented approach in its product innovation. The Group has established an end-to-end product development model centered on user value, to drive the steady upgrading of commodity structure. In terms of product innovation, the Group attached importance to the integration of global superior resources, with a focus on innovative R&D and fashion design, and delivered brand genes with original designs to enhance product value with leading technology. In terms of product operation, based on the profiles of different store types, the products are accurately delivered to customers. Besides, the Group continuously improved sales maximization and inventory rationalization by use of digital operation.

Spread Innovation

Brand events continue to improve, ignite user awareness, and increase in popularity. The Group further added new media input by optimizing media advertising and strengthening the effect of brand advertising by digital research and analysis, to contribute to the improvement of results. In terms of content marketing, the Group will establish and operate the perception of consumers through quality brand content to contribute to the upgrading of the brand image.

OEM management business: Continuously deepening the strategic partnership with core customers, the Group improved its service capabilities by further integrating overseas production resources, while further expanding the share of down apparel products making use of its advantages in down apparel production, in order to strengthen the long-term and stable strategic cooperation relationship with core customers.

Fashionable ladieswear business: The Group will continue to take advantage of its unique advantages to develop each of its ladieswear brand businesses, and expand synergy among brands through resource sharing among brands. Through the gradual improvement in the product, channel and brand power and other aspects of the ladieswear brands, the Group will find the advantages of each brand under the increasingly fierce competitive environment. The Group will continuously boost the operational and management efficiency of ladieswear business units, to achieve the healthy growth of the ladieswear business.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from December 20, 2021 to December 22, 2021, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed interim dividend payable on or around January 11, 2022, all duly completed transfer forms accompanied by the relevant share certificates 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 17, 2021.

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

The Company and its subsidiaries had not purchased, sold or redeemed any the Company's listed securities during the six months ended September 30, 2021.

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, 2021, 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

168.46 million share options lapsed after September 30, 2021.

Since 2016, the Group has granted 851.5 million share options to 144 core employees and 348.5 million award shares to 99 core employees, with an aggregate of approximately 1.2 billion share options and award shares to a total of 144 core employees.

The purpose of the Group's granting share options and award shares is to recognize and reward, with equity incentives, the Group's directors and core management team for their contributions to promoting the brand transformation and upgrading and the improvement of the results of the Group, as well as to further stimulate the Group's sustainable, stable and high-quality growth in the future.

In formulating the mechanism for the vesting of share options and award shares, the Group conducts multi-dimensional assessment on each grantee. This reflects not only the achievement of overall revenue, net profit and other performance indicators at the group level and the achievement of revenue, net profit and other performance indicators at various business division levels, but also the breakdown on the achievement of individual key performance indicators (KPI).

The Group upholds the principles of objectivity and fairness in conducting the evaluation on the vesting of share options and award shares. Where the performance indicators at the Group level and individual KPI assessment indicators are both reached, options and award shares are normally vested; for those that cannot be fulfilled for various reasons, the relevant share options and award shares will be cancelled or lapsed in accordance with the Grant Letter of the Award Shares (獎勵股份授予函), the Grant Letter of the Share Options (購股權授予函) and the Implementation Rules.

As at November 25, 2021, among all share options granted by the Group, 42% were vested, 32% were to be vested and 26% were cancelled or lapsed. Among all awarded shares granted by the Group, 76% were vested, 18% were to be vested and 6% were cancelled or lapsed. Among all share options and award shares granted, 52% were vested, 28% were to be vested and 20% were cancelled or lapsed.

Most of the cancelled or lapsed share options were granted on October 26, 2018. Among them, the vesting of 30% of the second batch and 40% of the third batch (the “**Batch of Share Options**”) were mainly subject to the assessment of the performance indicators of the *Bosideng* brand in FY2019/20 and FY2020/21 and the individual KPI indicators. At the beginning of 2020, the *Bosideng* brand performance was affected to a certain extent by COVID-19, resulting in the non-fulfillment of the performance target for the vesting of the Batch of Share Options, and thus the lapse of the same (accounting for approximately 70% of the total number of share options granted on October 26, 2018).

In the future, the Group will continue to promote equity incentive mechanisms that covers more core backbone employees, with the strategic transformation of the Group and the continuous improvement of its results, and hope to share the joy of success with more core employees, promoting the unity of employee interests and the development of the Group.

Save as disclosed above, no material events happened subsequent to September 30, 2021 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, 2021 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 25, 2021

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.