



INTERIM REPORT

2010/11

Bosideng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3998





Company Profile

Bosideng International Holdings Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) is the largest down apparel company in the PRC. It has 7,413 retail outlets across the nation, selling down apparel under its six core brands including “Bosideng”, “Snow Flying”, “Kangbo”, “Bengen” (previously known as “Bingjie”), “Shuangyu” and “Shangyu”. Through these brands, the Group offers a wide range of down apparel products targeting various consumer segments, strengthening and expanding its market share in the PRC down apparel industry.

According to the information of China Industrial Information Issuing Center (“CIIC”), in terms of sales in 2009, the down apparel products of four brands of the Company, namely “Bosideng”, “Snow Flying”, “Kangbo” and “Bengen” enjoyed a total of 38.0% of the market share[#] in the PRC. “Bosideng” was the leading down apparel brand in the PRC for 15 consecutive years from 1995 to 2009, according to CIIC and the National Bureau of Statistics of China. As a leader in the PRC down apparel industry, the Group represented the PRC to introduce the latest Fall/Winter apparel fashion trends to the world at “China International Clothing and Accessories Fair” for 14 consecutive years.

To further improve its product portfolio and increase profitability, the Group has adopted a non-seasonal product development strategy. Currently, the non-down apparel projects of the Group include Bosideng menswear project and the franchise project of “Rocawear” in the Greater China Region. The Bosideng menswear business has developed rapidly and has already set up 865 retail outlets throughout China, while the franchise project of “Rocawear” in the Greater China Region remains in preliminary preparation. Apart from investing in the continuous development of the non-down apparel projects, the Group is actively exploring opportunities to acquire non-down apparel brands with high development potential and good reputation in order to increase the proportion of non-down apparel business in total sales.

[#] Among the 30 largest down apparel brands



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Financial Highlights

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

Interim Results Highlights

	Six months ended September 30,		Change (%)
	2010 Unaudited RMB'000	2009 Unaudited RMB'000	
Revenue	1,858,284	1,564,855	18.8
Gross profit	704,262	524,873	34.2
Profit from operating activities	84,010	30,471	175.7
Profit attributable to equity holders of the Company	110,565	60,622	82.4
Earnings per share (RMB cents) – Basic and diluted	1.42	0.78	82.1
Payout ratio (%)	457.7	487.2	-29.5 pts

Performance Indicators

	Six months ended September 30,	
	2010 Unaudited	2009 Unaudited
Gross profit margin	37.9%	33.5%
Operating margin	4.5%	1.9%
Net margin	5.9%	3.9%
Effective tax rate	37.7%	24.5%

Financial Ratios

	At September 30, 2010 Unaudited	At March 31, 2010 Audited
Inventory turnover (days)	191	110
Trade receivable turnover (days)	74	40
Trade payable turnover (days)	104	48
Cash and cash equivalents (RMB'000)	2,329,119	3,127,587
Inventory level (RMB'000)	1,558,606	859,687
Current ratio (times)	3.7	5.5
Gearing ratio* (times)	0	0

* Gearing ratio is calculated as total debt divided by total equity. As at September 30, 2010 and September 30, 2009, the Company had no outstanding loans and borrowings.

Management Discussion and Analysis

Market Review

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

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

Business Review

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

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

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



Management Discussion and Analysis *(continued)*

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

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

Grand outdoor launch surprised the industry again

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

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



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

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

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

Management Discussion and Analysis *(continued)*

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

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

Accelerating development of non-seasonal apparel business

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



Management Discussion and Analysis *(continued)*

Bosideng menswear

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

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

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

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

"Rocawear"

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

Management Discussion and Analysis *(continued)*

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

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

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

Cooperation with brand spokespersons to diversify marketing strategies

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

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

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

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

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

Management Discussion and Analysis *(continued)*

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

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

New era of e-shopping by introducing ERP information system

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

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

Optimizing retail and distribution network to strengthen brand image

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

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

Retail outlets of down business

Retail network composition by outlet type

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

Management Discussion and Analysis (continued)

Retail outlets of Bosideng menswear business

Retail network composition by outlet type

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

Retail network composition by geographic location

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

* Northern China areas: Beijing, Chongqing, Gansu, Guizhou, Hebei, Heilongjiang, Inner Mongolia, Jilin, Liaoning, Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Sichuan, Tianjin, Tibet, Xinjiang, Yunnan

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

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

Management Discussion and Analysis *(continued)*

Financial Review

Revenue

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

A breakdown of the revenue by products is as below:

Sales analysis by products

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

* represents sales primarily of raw materials related to down apparel products.

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

Management Discussion and Analysis *(continued)*

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

Revenue analysis of down apparel sales by brand

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

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

Cost of sales and gross margin

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

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

Management Discussion and Analysis *(continued)*

Fair value changes on derivative financial instruments

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

Distribution expenses

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

Administration expenses

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

Operating profit

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

Finance income

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

Finance costs and taxation

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

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

Management Discussion and Analysis *(continued)*

Liquidity and financial resources

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

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

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

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

Capital commitments

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

Operating lease commitment

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

Contingent liabilities and charges on group assets

As at September 30, 2010, the Group had no material contingent liabilities or charges on group assets.

Significant investments and material acquisitions and disposals

As at September 30, 2010, the Group had no material change in significant investments and material acquisitions and disposals since March 31, 2010.

Future plans for material investments or capital assets and source of funding

As at September 30, 2010, the Group had no material change in the Group's future plans for material investments or capital assets and source of funding since March 31, 2010.

Pledge of assets

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

Management Discussion and Analysis *(continued)*

Financial management and treasury policy

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

Foreign currency exposure

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

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

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

Human Resources

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

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

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

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

Business Outlook

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

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

Speeding up the development of non-down apparel businesses

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

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

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

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

Management Discussion and Analysis *(continued)*

Promoting brand portfolio strategy to enhance brand value

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

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

Enhancing design and research and development capabilities of green fashion

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

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

Management Discussion and Analysis *(continued)*

Increasing market share by strengthening marketing efforts

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

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

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

Optimizing information system to search for optimized inventory turnover rate

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

Management Discussion and Analysis *(continued)*

Appreciation

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

By order of the Board

Bosideng International Holdings Limited

Gao Dekang

Chairman and CEO

Hong Kong, November 29, 2010

Independent Review Report

Review Report to the Board of Directors of Bosideng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 23 to 46 which comprises the consolidated balance sheet of Bosideng International Holdings Limited as of September 30, 2010, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at September 30, 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

November 29, 2010

Consolidated Statement of Comprehensive Income

For the six months ended September 30, 2010 (Unaudited)

	Note	Six months ended September 30, 2010 RMB'000	Six months ended September 30, 2009 RMB'000 (unaudited)
Revenue	6	1,858,284	1,564,855
Cost of sales		(1,154,022)	(1,039,982)
Gross profit		704,262	524,873
Other income	7	9,849	18,805
Fair value changes on derivative financial instruments		—	(25,811)
Distribution expenses		(451,687)	(324,723)
Administrative expenses		(162,896)	(148,703)
Other expenses	7	(15,518)	(13,970)
Profit from operating activities		84,010	30,471
Finance income		102,183	51,257
Finance expenses		(8,657)	(1,423)
Net finance income	10	93,526	49,834
Profit before income tax		177,536	80,305
Income tax expense	11(a)	(67,010)	(19,685)
Profit for the period		110,526	60,620
Other comprehensive income:			
Foreign currency translation differences for foreign operations		(6,519)	(1,463)
Net change in fair value of available-for-sale financial assets		8,272	20,619
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(48,509)	—
Income tax on other comprehensive income		4,693	(2,577)
Other comprehensive income for the period, net of income tax	10	(42,063)	16,579
Total comprehensive income for the period		68,463	77,199
Profit attributable to:			
Equity holders of the Company		110,565	60,622
Non-controlling interests		(39)	(2)
Profit for the period		110,526	60,620
Total comprehensive income attributable to:			
Equity holders of the Company		68,502	77,201
Non-controlling interests		(39)	(2)
Total comprehensive income for the period		68,463	77,199
Earnings per share			
– basic and diluted (RMB cents)	13	1.42	0.78

The notes on pages 28 to 46 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 12.

Consolidated Balance Sheet

At September 30, 2010 (Unaudited)

	Note	At September 30, 2010 RMB'000	At March 31, 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	14	258,013	214,482
Land use rights	15	32,051	32,389
Intangible assets	16	517,682	525,912
Long-term deposit		—	65,000
Deferred tax assets	11(b)	54,758	52,434
		862,504	890,217
Current assets			
Inventories	17	1,558,606	859,687
Trade, bills and other receivables	18	1,193,770	867,510
Receivables due from related parties	26(b)	130,103	48,334
Prepayments for materials and service suppliers		536,309	228,063
Held-to-maturity investments		—	400,000
Available-for-sale financial assets	19	1,378,272	1,618,509
Pledged bank deposits		26,695	2,232
Time deposits with maturity over 3 months	20	373,340	339,676
Cash and cash equivalents	21	2,329,119	3,127,587
		7,526,214	7,491,598
Current liabilities			
Current tax liabilities		136,936	147,667
Trade and other payables	22	1,864,450	1,204,898
Payables due to related parties	26(b)	19,143	10,399
		2,020,529	1,362,964
Net current assets			
		5,505,685	6,128,634
Total assets less current liabilities			
		6,368,189	7,018,851
Non-current liabilities			
Long-term payables		—	65,000
Deferred tax liabilities	11(b)	165,976	140,698
		165,976	205,698
Net assets			
		6,202,213	6,813,153

The notes on pages 28 to 46 form part of this interim financial report.

Consolidated Balance Sheet *(continued)*

At September 30, 2010 (Unaudited)

	Note	At September 30, 2010 RMB'000	At March 31, 2010 RMB'000 (audited)
Equity			
Share capital	23	607	607
Reserves		6,201,650	6,812,551
Equity attributable to equity holders of the Company		6,202,257	6,813,158
Non-controlling interests		(44)	(5)
Total equity		6,202,213	6,813,153

Approved and authorized for issue by the board of directors on November 29, 2010.

Gao Dekang

Chairman of the Board of Directors

Kong Shengyuan

Director

The notes on pages 28 to 46 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended September 30, 2010 (Unaudited)

	Attributable to the equity holders of the Company									
	Share capital	Share premium	Capital reserves	Statutory reserves	Translation reserves	Fair value reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (note 23)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at April 1, 2009	607	4,949,507	55,813	390,721	(334,082)	—	1,533,228	6,595,794	—	6,595,794
Total comprehensive income for the period:										
Profit or loss for the period	—	—	—	—	—	—	60,622	60,622	(2)	60,620
Exchange differences on translation of foreign operations	—	—	—	—	(1,463)	—	—	(1,463)	—	(1,463)
Net change in fair value of available-for-sale financial assets, net of tax	—	—	—	—	—	18,042	—	18,042	—	18,042
	—	—	—	—	(1,463)	18,042	60,622	77,201	(2)	77,199
Transactions with owners, recorded directly in equity										
Equity-settled share-based payment transactions (note 24)	—	—	10,269	—	—	—	—	10,269	—	10,269
Dividends (note 12)	—	(621,788)	—	—	—	—	—	(621,788)	—	(621,788)
	—	(621,788)	10,269	—	—	—	—	(611,519)	—	(611,519)
Balance at September 30, 2009	607	4,327,719	66,082	390,721	(335,545)	18,042	1,593,850	6,061,476	(2)	6,061,474
Balance at April 1, 2010	607	4,032,370	71,122	485,100	(336,222)	42,782	2,517,399	6,813,158	(5)	6,813,153
Total comprehensive income for the period:										
Profit or loss for the period	—	—	—	—	—	—	110,565	110,565	(39)	110,526
Exchange differences on translation of foreign operations	—	—	—	—	(6,519)	—	—	(6,519)	—	(6,519)
Net change in fair value of available-for-sale financial assets, net of tax	—	—	—	—	—	(35,544)	—	(35,544)	—	(35,544)
	—	—	—	—	(6,519)	(35,544)	110,565	68,502	(39)	68,463
Transactions with owners, recorded directly in equity										
Equity-settled share-based payment transactions (note 24)	—	—	4,564	—	—	—	—	4,564	—	4,564
Dividends (note 12)	—	(683,967)	—	—	—	—	—	(683,967)	—	(683,967)
	—	(683,967)	4,564	—	—	—	—	(679,403)	—	(679,403)
Balance at September 30, 2010	607	3,348,403	75,686	485,100	(342,741)	7,238	2,627,964	6,202,257	(44)	6,202,213

The notes on pages 28 to 46 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2010 (Unaudited)

	Six months ended September 30, 2010 RMB'000	Six months ended September 30, 2009 RMB'000 (unaudited)
Net cash used in operating activities	(716,793)	(50,187)
Net cash generated from/(used in) investing activities	608,811	(1,320,102)
Net cash used in financing activities	(683,967)	(621,788)
Effect of foreign currency exchange rate changes	(6,519)	(1,463)
Net decrease in cash and cash equivalents	(798,468)	(1,993,540)
Cash and cash equivalents at the beginning of the period	3,127,587	3,812,919
Cash and cash equivalents at the end of the period	2,329,119	1,819,379

The notes on pages 28 to 46 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1. REPORTING ENTITY AND CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

The interim financial report for the six-month period ended September 30, 2010 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors (the “Board”) on November 29, 2010. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s review report to the Board is included on page 22.

The financial information relating to the financial year ended March 31, 2010 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. The 2009/10 Annual Financial Statements are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated July 7, 2010.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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 2009/10 Annual Financial Statements.

Notes to the Unaudited Interim Financial Report (continued)

6. REVENUE AND SEGMENT INFORMATION

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

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

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

(a) Segment results

	For the six months ended September 30, 2010 (unaudited)			
	Down apparels RMB'000	OEM management RMB'000	Menswear apparels RMB'000	Group RMB'000
Revenue from external customers	1,209,203	518,319	130,762	1,858,284
Inter-segment revenue	—	—	5,111	5,111
Reportable segment revenue	1,209,203	518,319	135,873	1,863,395
Reportable segment profit from operations	53,988	74,496	577	129,061
Depreciation	12,233	104	6,069	18,406
	For the six months ended September 30, 2009 (unaudited)			
	Down apparels RMB'000	OEM management RMB'000	Menswear apparels RMB'000	Group RMB'000
Revenue from external customers	1,032,284	475,712	56,859	1,564,855
Inter-segment revenue	—	—	2,966	2,966
Reportable segment revenue	1,032,284	475,712	59,825	1,567,821
Reportable segment profit/(loss) from operations	19,338	86,419	(25,424)	80,333
Depreciation	7,349	30	168	7,547

Notes to the Unaudited Interim Financial Report *(continued)*

6. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	For the six months ended September 30	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Revenue		
Reportable segment revenue	1,863,395	1,567,821
Elimination of inter-segment revenue	(5,111)	(2,966)
Consolidated revenue	1,858,284	1,564,855
	For the six months ended September 30	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Profit before income tax		
Reportable segment profit derived from the Group's external customers	129,061	80,333
Government grants	3,299	14,072
Unallocated expenses	(48,350)	(63,934)
Finance income	102,183	51,257
Finance expenses	(8,657)	(1,423)
Consolidated profit before income tax	177,536	80,305

Notes to the Unaudited Interim Financial Report *(continued)*

7. OTHER INCOME AND EXPENSES

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

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

8. PERSONNEL EXPENSES

	Six months ended September 30, 2010 RMB'000 (unaudited)	Six months ended September 30, 2009 RMB'000 (unaudited)
Salaries, wages and other benefits	114,145	82,383
Contributions to defined contribution plans	23,572	16,788
Share-based payment expenses (note 24)	4,564	10,269
	142,281	109,440

Contributions made by the Group to pension funds are dealt with in profit or loss when incurred. The Group contributes to pension funds based on certain percentages of the average salary level according to the pension fund requirements of the various provinces in the PRC in which its operations are located. The Group remits all pension fund contributions to the respective social security offices, which are responsible for the payment and liabilities relating to the pension funds. The Group has no obligation for the payment of retirement and other post-retirement benefits of employees other than the contributions described above.

Notes to the Unaudited Interim Financial Report *(continued)*

9. EXPENSES BY NATURE

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

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

Notes to the Unaudited Interim Financial Report (continued)

10. NET FINANCE INCOME

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

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

Notes to the Unaudited Interim Financial Report *(continued)*

11. INCOME TAX EXPENSE

(a) Income tax in profit or loss represents:

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report *(continued)*

11. INCOME TAX EXPENSE *(continued)*

(b) Deferred tax assets and liabilities:

The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheet and the movements during the period are as follows:

	Write down/ (reversal) of inventory RMB'000	Provision for impairment loss for bad and doubtful debts RMB'000	Customer relationships RMB'000	Undistributed retained earnings of PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
Balance at April 1, 2010	20,134	19,884	(50,209)	(80,000)	1,927	(88,264)
Credited/(charged) to profit or loss	(3,989)	5,493	1,029	(31,000)	820	(27,647)
Credited to other comprehensive income	—	—	—	—	4,693	4,693
Balance at September 30, 2010	16,145	25,377	(49,180)	(111,000)	7,440	(111,218)
				At September 30, 2010 RMB'000 (unaudited)		At March 31, 2010 RMB'000 (audited)
Net deferred tax assets recognized on the balance sheet				54,758		52,434
Net deferred tax liabilities recognized on the balance sheet				(165,976)		(140,698)
				(111,218)		(88,264)

Notes to the Unaudited Interim Financial Report *(continued)*

12. DIVIDENDS

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

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

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

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

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

13. EARNINGS PER SHARE

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

Notes to the Unaudited Interim Financial Report (continued)

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
Balance at April 1, 2010	142,975	9,032	115,705	10,743	278,455
Additions for the period	261	1,702	33,717	27,479	63,159
Transfer for the period	1,816	—	10,698	(12,514)	—
Disposals for the period	—	(306)	(3,856)	—	(4,162)
Balance at September 30, 2010	145,052	10,428	156,264	25,708	337,452
Depreciation					
Balance at April 1, 2010	(3,511)	(4,244)	(56,218)	—	(63,973)
Depreciation charge for the period	(3,653)	(730)	(14,023)	—	(18,406)
Disposals for the period	—	129	2,811	—	2,940
Balance at September 30, 2010	(7,164)	(4,845)	(67,430)	—	(79,439)
Carrying amount					
Balance at September 30, 2010	137,888	5,583	88,834	25,708	258,013
Balance at March 31, 2010	139,464	4,788	59,487	10,743	214,482

All buildings are located in the PRC.

15. LAND USE RIGHTS

	Total RMB'000
Balance at April 1, 2010	32,389
Amortization charge for the period	(338)
Balance at September 30, 2010	32,051

Notes to the Unaudited Interim Financial Report *(continued)*

16. INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
Cost:			
Balance at April 1, 2010	292,741	352,769	645,510
Balance at September 30, 2010	292,741	352,769	645,510
Amortization and impairment loss:			
Balance at April 1, 2010	—	(119,598)	(119,598)
Amortization charge for the period	—	(8,230)	(8,230)
Balance at September 30, 2010	—	(127,828)	(127,828)
Net book value:			
Balance at September 30, 2010	292,741	224,941	517,682
Balance at March 31, 2010	292,741	233,171	525,912

The amortization charged for the period for customer relationships is included in distribution expenses in the consolidated statement of comprehensive income.

17. INVENTORIES

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

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

Notes to the Unaudited Interim Financial Report *(continued)*

18. TRADE, BILLS AND OTHER RECEIVABLES

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

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

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

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are principal guaranteed short-term investments with banks in the PRC. These investments have expected but not guaranteed returns ranging from 2.40% to 4.72% per annum.

20. TIME DEPOSITS WITH MATURITY OVER 3 MONTHS

Time deposits of RMB373,340,000 as at September 30, 2010 (March 31, 2010: RMB339,676,000) were deposited in banks for a period of over three months.

Notes to the Unaudited Interim Financial Report *(continued)*

21. CASH AND CASH EQUIVALENTS

	At September 30, 2010 RMB'000 (unaudited)	At March 31, 2010 RMB'000 (audited)
Cash at banks and on hand	2,729,154	3,469,495
Less: pledged bank deposits	(26,695)	(2,232)
time deposits with maturity over 3 months	(373,340)	(339,676)
Cash and cash equivalents	2,329,119	3,127,587

22. TRADE AND OTHER PAYABLES

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

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

An ageing analysis of trade payables is set out below:

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

23. SHARE CAPITAL

The issued capital of the Group as of September 30, 2010 of RMB607,000 represents 7,772,350,000 ordinary shares at par value of US\$0.00001 per share.

Notes to the Unaudited Interim Financial Report *(continued)*

24. SHARE-BASED PAYMENTS

On June 14, 2007, the Company adopted a share scheme for the Group's employees and consultants (the "Share Scheme"), which is not subject to the provisions of Chapter 17 of the Listing Rules. Under the Share Scheme, on June 14, 2007, Kong Bo Investment Limited, one of the ordinary share holders in the Company and Shanghai Olympics Investment Holdings Company Limited ("Olympics Investment"), the holder of the Series A Shares, transferred 60,352,654 ordinary shares of US\$0.00001 each of the Company and 87 Series A Shares respectively to an appointed trustee, which holds and deals with the shares of the Company (the "Shares") under the Share Scheme when the Shares granted to employees and consultants vest.

The Shares granted to each beneficiary shall vest on the dates set out below in the respective proportions set out below:

	Percentage of award Shares vesting
First anniversary of Listing Date	25.0%
Second anniversary of Listing Date	35.0%
Third anniversary of Listing Date	40.0%

The Share Scheme has a life of three years from the Listing Date.

The following table sets out activities under the Share Scheme for the six months ended September 30, 2010.

	2010		2009	
	Number of Shares	Grant date fair value (RMB'000)	Number of Shares	Grant date fair value (RMB'000)
As at April 1	69,000,846		69,000,846	
Granted	—		—	
Forfeited	—		—	
As at September 30	69,000,846		69,000,846	

Total expenses of RMB4,564,000 (2009: RMB10,269,000) were recognized as personnel expenses for the six months ended September 30, 2010 (note 8).

As at September 30, 2010, 40,014,251 ordinary Shares under the share scheme were vested (March 31, 2010: 40,014,251).

Notes to the Unaudited Interim Financial Report *(continued)*

25. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding not provided for in the financial statements are as follows:

	At September 30, 2010 RMB'000 (unaudited)	At March 31, 2010 RMB'000 (audited)
Contracted for	17,500	—

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	At September 30, 2010 RMB'000 (unaudited)	At March 31, 2010 RMB'000 (audited)
Within 1 year	95,127	73,084
After 1 year but within 5 years	222,927	196,549
More than 5 years	3,078	20,743
	321,132	290,376

The Group leases a number of warehouses, factory facilities and office premises under operating leases. The leases typically run for an initial period of between one and six years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. In addition to the above, the Group operates retail outlets under concessionaire arrangements. The concessionaire fees calculated based on a percentage of revenue for the period, were RMB36,417,000 for the period ended September 30, 2010 (September 30, 2009: RMB27,602,000).

(c) Contingent liabilities

As at the balance sheet date, the Group did not have any significant contingent liabilities.

Notes to the Unaudited Interim Financial Report (continued)

26. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2010 and 2009, transactions with the following parties are considered as related party transactions.

Name of related party	Relationship
Kang Bo Investment Limited ("KBI") 康博投資有限公司	Equity holder of the Company
Kong Bo Development Limited 康博發展有限公司	Equity holder of the Company
Jiangsu Suyong International Trade Co., Ltd. ("Jiangsu Suyong") 江蘇蘇甬國際貿易有限公司 (江蘇蘇甬)	Effectively controlled by Mr. Gao Dekang and his family (the "Gao Family"), the controlling equity holders of the Group
Shanghai Bosideng Holdings Group 上海波司登控股集團有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Bosideng Corporation 波司登股份有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Shandong Kangbo Industry Co., Ltd. ("Shandong Kangbo") 山東康博實業有限公司 (山東康博)	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Jiangsu Kangxin Garment Co., Ltd. ("Jiangsu Kangxin") 江蘇康欣制衣有限公司 (江蘇康欣)	Effectively controlled by the Gao Family, the controlling equity holders of the Group
Zhongke Bosideng Nanotech Garment (Suzhou) Co., Ltd. 中科波司登納米服飾 (蘇州) 有限公司	Effectively controlled by the Gao Family, the controlling equity holders of the Group
IDG Accel China Investment, Limited("IDG")	Non-controlling equity holder of a subsidiary of the Group

Notes to the Unaudited Interim Financial Report (continued)

26. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties

	Six months ended September 30, 2010 RMB'000 (unaudited)	Six months ended September 30, 2009 RMB'000 (unaudited)
Purchase of raw materials:		
Bosideng Corporation	556	14
Zhongke Bosideng Nanotech Garment (Suzhou) Co., Ltd.	2,833	3,524
Total	3,389	3,538
Rental expenses for lease of property, plant and equipment and land use rights:		
Bosideng Corporation	2,683	2,683
Shanghai Bosideng Holdings Group	321	321
Shandong Kangbo	1,068	1,068
Jiangsu Suyong	320	213
Total	4,392	4,285
Processing fee:		
Bosideng Corporation	53,840	60,684
Jiangsu Kangxin	7,157	1,097
Shandong Kangbo	1,443	—
Total	62,440	61,781
Integrated service fees:		
Bosideng Corporation	1,548	1,388
Purchase of buildings:		
Bosideng Corporation	—	47,000
Shanghai Bosideng Holdings Group	—	21,000
Total	—	68,000
Cash advance from a non-controlling interest:		
IDG	5,024	—

Notes to the Unaudited Interim Financial Report (continued)

26. RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

	At September 30, 2010 RMB'000 (unaudited)	At March 31, 2010 RMB'000 (audited)
Other receivables due from:		
Bosideng Corporation	129,329	46,788
Zhongke Bosideng Nanotech Garment (Suzhou) Co., Ltd.	190	1,504
Jiangsu Kangxin	—	42
Jiangsu Suyong	584	—
Total receivables due from related parties	130,103	48,334
Trade payables due to:		
Jiangsu Suyong	—	1,557
Shandong Kangbo	93	50
Jiangsu Kangxin	5,234	—
	5,327	1,607
Other payables due to:		
IDG	13,816	8,792
	13,816	8,792
Total payables due to related parties	19,143	10,399

27. NON-ADJUSTING POST-BALANCE SHEET EVENT

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

General Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at September 30, 2010, the interests and short positions of the Directors and chief executive of the Company in the Shares or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") were as follows:

(a) Long position in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Mr. Gao Dekang	Other (Note 1)	5,207,291,201	67.00%
	Deemed interest (Note 2)	28,986,595	0.37%
	Deemed interest (Note 3) (Note 4)	2,763,697	0.036%
Ms. Mei Dong	Other (Note 1)	5,207,291,201	67.00%
	Deemed interest (Note 2) (Note 5)	28,986,595	0.37%
	Beneficial owner (Note 3)	2,763,697	0.036%
Dr. Kong Shengyuan	Beneficial owner (Note 3)	2,763,697	0.036%
Ms. Gao Miaoqin	Beneficial owner (Note 3)	2,763,697	0.036%
Ms. Huang Qiaolian	Beneficial owner (Note 3)	2,763,697	0.036%
Ms. Wang Yunlei	Beneficial owner (Note 3)	1,878,242	0.024%

General Information *(continued)*

Notes:

- (1) *These Shares are directly held by Kong Bo Investment Limited (as to 5,154,719,202 Shares) and Kong Bo Development Limited (as to 52,571,999 Shares). Each of Kong Bo Investment Limited and Kong Bo Development Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Family Trust, the trustee of which is HSBC International Trustee Limited. The GDK Family Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Mr. Gao Dekang and Ms. Mei Dong is deemed to be interested in such Shares under the SFO.*
- (2) *As at September 30, 2010, the Share Scheme comprised 28,986,595 Shares held by Gather Wealth Holdings Limited (as trustee of the Share Scheme) subsequent to the vesting of part of the Shares comprising the Share Scheme on the second anniversary of October 11, 2007 (the "Listing Date"). Mr. Gao Dekang is deemed to be interested in the 28,986,595 Shares held by Gather Wealth Holdings Limited in his capacity as of one of the founders of the Share Scheme.*
- (3) *Each of Ms. Mei Dong, Dr. Kong Shengyuan, Ms. Gao Miaoqin and Ms. Huang Qiaolian was granted 2,763,697 Shares respectively, and Ms. Wang Yunlei was granted 1,878,242 Shares, under the Share Scheme over a vesting period.*
- (4) *Mr. Gao Dekang is the spouse of Ms. Mei Dong. Thus, he is deemed to be interested in the 2,763,697 Shares under the SFO.*
- (5) *Ms. Mei Dong is the spouse of Mr. Gao Dekang. Thus, she is deemed to be interested in the 28,986,595 Shares under the SFO.*

General Information *(continued)*

(b) Long position in the associated corporations of the Company

Name of Director	Nature of interest	Name of associated corporation	Number of shares of the associated corporation held	Approximate percentage of interest in the associated corporation
Mr. Gao Dekang	Other	Kong Bo Investment Limited <i>(Note)</i>	100	100.00%
		Kong Bo Development Limited <i>(Note)</i>	1	100.00%
		Kova Group Limited <i>(Note)</i>	1	100.00%
Ms. Mei Dong	Other	Kong Bo Investment Limited <i>(Note)</i>	100	100.00%
		Kong Bo Development Limited <i>(Note)</i>	1	100.00%
		Kova Group Limited <i>(Note)</i>	1	100.00%

Note:

Kong Bo Investment Limited and Kong Bo Development Limited own 66.32% and 0.68% of the Shares (comprising 5,154,719,202 Shares and 52,571,999 Shares, respectively), each of which is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Family Trust, the trustee of which is HSBC International Trustee Limited. The GDK Family Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Mr. Gao Dekang and Ms. Mei Dong is deemed to be interested in the shares of Kong Bo Investment Limited, Kong Bo Development Limited and Kova Group Limited, respectively under the SFO.

Save as disclosed above, as at September 30, 2010, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

General Information *(continued)*

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at September 30, 2010, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons, other than Directors or chief executive of the Company, had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of shareholder	Nature of interest	Number of Shares in long position	Approximate percentage of interest in the Company
HSBC International Trustee Limited	Trustee <i>(Note 1)</i>	5,207,291,201	67.00%
Kova Group Limited	Interest of controlled corporation <i>(Note 1)</i>	5,207,291,201	67.00%
Kong Bo Investment Limited	Corporate interest <i>(Note 1)</i>	5,154,719,202	66.32%
Shanghai Olympics Investment Holdings Company Limited	Corporate interest Deemed interest <i>(Note 2)</i>	401,151,953 28,986,595	5.16% 0.37%
<i>("Olympics Investment")</i>			
The Headland Private Equity Fund 3 Limited	Interest of controlled corporation <i>(Note 3)</i>	430,138,548	5.53%
<i>("Headland Private Equity")</i>			
Solandra Investments Limited	Interest of controlled corporation <i>(Note 3)</i>	430,138,548	5.53%
HSBC Entities	Interest of controlled corporation <i>(Note 4)</i>	437,436,548	5.62%

General Information *(continued)*

Notes:

- (1) *These Shares are directly held by Kong Bo Investment Limited (as to 5,154,719,202 Shares) and Kong Bo Development Limited (as to 52,571,999 Shares). Each of Kong Bo Investment Limited and Kong Bo Development Limited is wholly owned by Kova Group Limited, which is in turn wholly owned by The GDK Family Trust, the trustee of which is HSBC International Trustee Limited. The GDK Family Trust is a discretionary trust set up by Mr. Gao Dekang as founder, for the benefit of his family members (including Ms. Mei Dong). Accordingly, each of Kova Group Limited and HSBC International Trustee Limited is deemed to be interested in such Shares under the SFO.*
- (2) *As at September 30, 2010, the Share Scheme comprises 28,986,595 Shares held by Gather Wealth Holdings Limited (as trustee of the Share Scheme) subsequent to the vesting of part of the Shares comprising the Share Scheme on the second anniversary of the Listing Date. Olympics Investment is deemed to be interested in the 28,986,595 Shares held by Gather Wealth Holdings Limited in its capacity as one of the founders of the Share Scheme. As at the date of this interim report, all the Shares comprising the Share Scheme had been vested on the third anniversary of the Listing Date.*
- (3) *Olympics Investment is a wholly-owned subsidiary of Headland Private Equity (formerly known as The HSBC Private Equity Fund 3 Limited). Solandra Investments Limited owns 33.8% of the shareholding interest of Headland Private Equity. Solandra Investments Limited is an indirect wholly-owned subsidiary of its ultimate holding company, HSBC Holdings plc. Each of Headland Private Equity and Solandra Investments Limited is deemed to be interested in the Shares held by Olympics Investment.*
- (4) *This refers to the shareholding of each of the HSBC Entities, which comprise The Hongkong and Shanghai Banking Corporation Limited, HSBC Asia Holdings B.V., HSBC Asia Holdings (UK) Limited, HSBC Holdings B.V., HSBC Finance (Netherlands) and HSBC Holdings plc, each of which is deemed to be interested in the Shares held by Olympics Investment. Olympics Investment is the wholly-owned subsidiary of Headland Private Equity. Solandra Investments Limited owns 33.8% of the shareholding interests of Headland Private Equity. Solandra Investments Limited is directly wholly owned by The Hongkong and Shanghai Banking Corporation Limited, which is directly wholly owned by HSBC Asia Holdings B.V., a direct wholly owned subsidiary of HSBC Asia Holdings (UK) Limited. HSBC Asia Holdings (UK) Limited is in turn directly wholly owned by HSBC Holdings B.V., which is directly wholly owned by HSBC Finance (Netherlands), a direct wholly-owned subsidiary of HSBC Holdings plc. Of these Shares in the Company, 7,298,000 Shares were collateral pledged to The Hongkong and Shanghai Banking Corporation Limited.*

Save as disclosed above, as at September 30, 2010, the Directors and the chief executive of the Company were not aware of any other person who had an interest or short position in the Shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Interim Dividend

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

General Information *(continued)*

Closure of Register of Members

The register of members of the Company will be closed from December 14, 2010 to December 16, 2010, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed interim dividend payable on December 24, 2010, all duly completed transfer forms must be lodged with the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on December 13, 2010.

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

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

Changes of Information of Directors Under Rule 13.51B(1) of the Listing Rules

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange since the date of the 2009/10 Annual Report:

Mr. Shen Jingwu, a non-executive Director, is currently the Senior Partner and Head of Greater China of Headland Capital Partners Limited (formerly known as HSBC Private Equity (Asia) Limited).

Mr. Jiang Hengjie, an independent non-executive Director has been the independent directors of Kaiser (China) Holding Co., Ltd. (Stock Code: 002425) and Sinoer Men's Wear Co., Ltd., (Stock Code: 002485), both are companies recently listed on the Shenzhen Stock Exchange in June and October 2010, since April 2008 and September 2008, respectively.

Mr. Ngai Wai Fung, an independent non-executive Director, is currently the Managing Director of MNCOR Consulting Limited, a specialty corporate and compliance services provider to companies in pre-IPO and post-IPO. He has also been appointed as an independent non-executive director of SITC International Holdings Company Limited (Stock Code: 1308), the shares of which are listed on the Stock Exchange since September 2010.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Code on Corporate Governance Practices

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

Mr. Gao Dekang is the Chairman and CEO of the Company and the founder of the Group. The Board believes that it is necessary to vest the roles of Chairman and CEO in the same person due to his unique role, Mr. Gao Dekang's experience and established market reputation in China's down apparel industry, and the importance of Mr. Gao Dekang in the strategic development of the Company. This dual role provides strong and consistent market leadership and is critical for efficient

General Information *(continued)*

business planning and decisions of the Company. As all major decisions are made in consultation with members of the Board and the relevant Board committees, and there are four independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code during the six months ended September 30, 2010.

Audit Committee

The Audit Committee of the Company (the "Audit Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to Rule 3.21 of the Listing Rules and paragraph C3 of the Code, whose primary duties are to review and supervise the financial reporting process and internal control procedures of the Group, nominate and monitor external auditors, and perform other duties and responsibilities as assigned by the Board. The unaudited consolidated interim financial statements for the six months ended September 30, 2010 have been reviewed by the Audit Committee and KPMG, the Company's external auditors. The independent review report issued by KPMG is set out on page 22 of this report. As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Ngai Wai Fung (Chairman), Mr. Dong Binggen and Mr. Jiang Hengjie.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to paragraph B1 of the Code, whose primary duties are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management of the Company, and evaluate and make recommendations on the retirement scheme and performance assessment system and bonus and commission policies. The Remuneration Committee consists of five members, comprising one executive Director, one non-executive Director and three independent non-executive Directors (namely Mr. Gao Dekang (Chairman), Mr. Shen Jingwu, Mr. Dong Binggen, Mr. Jiang Hengjie and Mr. Wang Yao).

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") has been established by the Company on September 15, 2007 with written terms of reference pursuant to paragraph A.4.5 of the Code, whose primary duties are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The Nomination Committee consists of three members, comprising one executive Director and two independent non-executive Directors (namely Mr. Gao Dekang (Chairman), Mr. Dong Binggen and Mr. Jiang Hengjie).

Corporate Information

Board of Directors

Executive Directors

Mr. Gao Dekang (Chairman)^{(Note 1)(Note 2)}

Ms. Mei Dong

Dr. Kong Shengyuan

Ms. Gao Miaoqin

Ms. Huang Qiaolian

Ms. Wang Yunlei

Non-executive Director

Mr. Shen Jingwu^(Note 1)

Independent Non-executive Directors

Mr. Dong Binggen^{(Note 1)(Note 2)(Note 3)}

Mr. Jiang Hengjie^{(Note 1)(Note 2)(Note 3)}

Mr. Wang Yao^(Note 1)

Mr. Ngai Wai Fung^(Note 3)

Company Secretary and Qualified Accountant

Mr. Mak Yun Kuen

Authorized Representatives

Dr. Kong Shengyuan

Mr. Mak Yun Kuen

Listing Exchange Information

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

3998

Investor Relations

Email: bosideng_ir@bosideng.com

Tel: (852) 2866 6918

Fax: (852) 2866 6930

Websites

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http://company.bosideng.com

Investor Relations Consultant

iPR Ogilvy Ltd.

Registered Office

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong

Room 1703A, 17th Floor, Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited

Butterfield House

68 Fort Street

P.O. Box 705

Grand Cayman KY1-1107

Cayman Islands

Corporate Information *(continued)*

Hong Kong Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Legal Advisors As to Hong Kong Law

DLA Piper Hong Kong

Auditors

KPMG
Certified Public Accountants

Principal Bankers

Agricultural Bank of China Changshu Sub-branch
Bank of Communications Shanghai Branch
Bank of Ningbo Shanghai Branch
Bank of China Limited Changshu Sub-branch

Notes:

- (1) Members of Remuneration Committee, Mr. Gao is the Chairman of the Committee
- (2) Members of Nomination Committee, Mr. Gao is the Chairman of the Committee
- (3) Members of Audit Committee, Mr. Ngai is the Chairman of the Committee

Information for Investors

IMPORTANT DATES

Closure of Register of Members

December 14, 2010 to December 16, 2010
(both days inclusive)

Annual General Meeting

August 26, 2010

Dividend

Interim Dividend : RMB6.5 cents per share
Paid on : December 24, 2010

Stock Code

Stock Exchange of Hong Kong : 3998

Investor Relations Contact

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