The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2013

The Directors
Miko International Holdings Limited

CCB International Capital Limited
China Galaxy International Securities (Hong Kong) Co., Limited

Dear Sirs

Introduction

We set out below our report on the financial information relating to Miko International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013, the statement of financial position of the Company as at 30 June 2013 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 31 December 2013 (the "Prospectus").

The Company was incorporated in Cayman Islands on 15 March 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganization completed on 16 April 2013 as detailed in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below.

As at the date of this report, no audited financial statements have been prepared for Miko International Holdings Limited and Obvious Cheer Investment Development Limited, as they either have not carried out any business since the date of incorporation or are investment holding companies and are not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 28 of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") on the same basis as set out in note 1(b) of Section B below. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were audited by KPMG Huazhen (Special General Partnership) under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2013.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Company as at 30 June 2013 and the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, 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 HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review 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 on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A Consolidated Financial Information of the Group

1 Consolidated statements of comprehensive income

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	2	326,974	392,369	519,987	176,548	253,185
Cost of sales		(195,554)	(248,460)	(324,173)	(113,090)	(158,546)
Gross profit		131,420	143,909	195,814	63,458	94,639
Other revenue	3	155	619	218	154	230
Other net (loss) / income	3	(66)	(98)	1	3	(781)
Selling and distribution expenses		(33,808)	(43,053)	(49,542)	(19,103)	(22,509)
Administrative and other operating expenses		(9,007)	(11,316)	(13,233)	(5,621)	(12,262)
Profit from operations		88,694	90,061	133,258	38,891	59,317
Finance costs	4(a)	(1,877)	(2,179)	(2,477)	(1,094)	(1,582)
Profit before taxation	4	86,817	87,882	130,781	37,797	57,735
Income tax	5	(10,872)	(10,559)	(15,343)	(4,042)	(15,507)
Profit for the year/period		75,945	77,323	115,438	33,755	42,228
Other comprehensive income for the year/period						
Exchange differences on translation of financial information of operations outside the mainland China		1,305	2,795	(7)	(313)	2,258
Total comprehensive income for the year/period		77,250	80,118	115,431	33,442	44,486
Earnings per share (RMB cents)						
— basic and diluted	8	12	12	18	5	7

The accompanying notes form part of the Financial Information.

2 Consolidated statements of financial position

	Section B Note	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	9	47,021	44,044	40,776	39,217
Intangible assets	10	82	68	54	47
Lease prepayments	11	3,293	3,205	3,117	3,073
Deposits for purchase of property	9(d)	—	—	—	51,750
Deferred tax assets	13(b)	3,648	1,612	2,968	2,611
		54,044	48,929	46,915	96,698
Current assets					
Inventories	14	70,579	81,809	27,873	31,222
Trade and other receivables	15	93,106	143,629	283,301	222,709
Pledged bank deposits	16	—	2,850	3,880	2,000
Cash and cash equivalents	17	55,210	4,004	8,894	186,424
		218,895	232,292	323,948	442,355
Current liabilities					
Bank loans	18	42,500	22,400	38,800	68,590
Trade and other payables	19	182,445	133,069	89,483	180,787
Current tax payable	13(a)	7,299	4,939	6,336	7,512
		232,244	160,408	134,619	256,889
Net current (liabilities) / assets		(13,349)	71,884	189,329	185,466
NET ASSETS		40,695	120,813	236,244	282,164
CAPITAL AND RESERVES					
Capital	21	520	520	520	8
Reserves	22	40,175	120,293	235,724	282,156
TOTAL EQUITY		40,695	120,813	236,244	282,164

The accompanying notes form part of the Financial Information.

3 Statement of financial position of the Company

	Section B Note	As at 30 June 2013 RMB'000
Non-current assets		
Investments in subsidiaries	12	—
Current assets		
Prepayments	15	1,820
Cash and cash equivalents	17	35
		1,855
Current liabilities		
Amounts due to subsidiaries	19	1,852
		1,852
Net current assets		3
NET ASSETS		3
CAPITAL AND RESERVE		
Capital	21	8
Reserve		(5)
TOTAL EQUITY		3

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Capital	Statutory reserve	Exchange reserve	Share-based payment reserve	Retained profits/ (accumulated losses)	Total
		RMB'000 note 21	RMB'000 note 22(b)	RMB'000 note 22(a)	RMB'000 note 22(c)	RMB'000	RMB'000
At 1 January 2010		520	—	1,415	—	(38,490)	(36,555)
Changes in equity for 2010:							
Total comprehensive income for the year		—	—	1,305	—	75,945	77,250
Appropriation to statutory reserve	22(b)	—	3,748	—	—	(3,748)	—
At 31 December 2010 and 1 January 2011		520	3,748	2,720	—	33,707	40,695
Changes in equity for 2011:							
Total comprehensive income for the year		—	—	2,795	—	77,323	80,118
Appropriation to statutory reserve	22(b)	—	7,732	—	—	(7,732)	—
At 31 December 2011 and 1 January 2012		520	11,480	5,515	—	103,298	120,813
Changes in equity for 2012:							
Total comprehensive income for the year		—	—	(7)	—	115,438	115,431
Appropriation to statutory reserve	22(b)	—	11,545	—	—	(11,545)	—
At 31 December 2012 and 1 January 2013		520	23,025	5,508	—	207,191	236,244
Changes in equity for the six months ended 30 June 2013							
Shares issued for Reorganization		8	—	—	—	—	8
Reduction in capital upon Reorganization		(520)	—	—	—	—	(520)
Total comprehensive income for the period		—	—	2,258	—	42,228	44,486
Equity-settled share-based payments	22(c)	—	—	—	1,946	—	1,946
Appropriation to statutory reserve	22(b)	—	4,426	—	—	(4,426)	—
At 30 June 2013		8	27,451	7,766	1,946	244,993	282,164
(Unaudited)							
At 1 January 2012		520	11,480	5,515	—	103,298	120,813
Changes in equity for the six months ended 30 June 2012							
Total comprehensive income for the period		—	—	(313)	—	33,755	33,442
Appropriation to statutory reserve	22(b)	—	3,376	—	—	(3,376)	—
At 30 June 2012		520	14,856	5,202	—	133,677	154,255

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section B Note	Years ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Cash (used in)/generated from operations	17(b)	(2,121)	8,565	30,439	40,785	122,688
Income tax paid		(6,238)	(10,883)	(15,302)	(6,840)	(13,974)
Net cash (used in)/generated from operating activities		(8,359)	(2,318)	15,137	33,945	108,714
Investing activities						
Payment for the purchase of property, plant and equipment		(2,428)	(556)	(67)	(46)	(51,750)
Interest received		33	258	212	154	230
Net cash (used in)/generated from investing activities		(2,395)	(298)	145	108	(51,520)
Financing activities						
Proceeds from bank loans		42,500	33,400	44,800	28,900	54,690
Repayment of bank loans		(26,000)	(53,500)	(28,400)	(19,000)	(24,900)
Net advance from/(repayment to) the parent company and related parties		46,908	(27,307)	(24,315)	(24,317)	90,382
Interest paid		(1,877)	(2,179)	(2,477)	(1,094)	(1,582)
Net cash generated from/(used in) financing activities		61,531	(49,586)	(10,392)	(15,511)	118,590
Net increase/(decrease) in cash and cash equivalents		50,777	(52,202)	4,890	18,542	175,784
Cash and cash equivalents at 1 January		3,693	55,210	4,004	4,004	8,894
Effect of foreign exchange rate changes		740	996	—	(7)	1,746
Cash and cash equivalents at 31 December/30 June	17(a)	55,210	4,004	8,894	22,539	186,424

The accompanying notes form part of the Financial Information.

B Notes to the Financial Information

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period commencing on 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period commencing on 1 January 2013 are set out in note 30.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Company was incorporated in the Cayman Islands on 15 March 2013 as part of the group reorganization undertaken by the Group. On 16 April 2013, the Company became the holding company of the companies now comprising the Group. The reorganization completed on 16 April 2013 has been accounted for in accordance with the principle similar to a reverse acquisition as set out in IFRS 3, "Business Combinations". The issue of shares of the Company in exchange for the controlling interest in Red Kids Group (Hong Kong) Limited ("Red Kids Hong Kong") and the connected share swap between the Company, Obvious Cheer Investment Development Limited and Red Kids Hong Kong resulted in the Company becoming the holding company of Red Kids Hong Kong. The Financial Information has been prepared as a continuation of Red Kids Hong Kong and the consolidated assets and liabilities of Red Kids Hong Kong are recognized and measured at their historical carrying values prior to 16 April 2013.

All material intra-group transactions and balances have been eliminated on consolidation.

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital/registered capital	Proportion of equity interest attributable to the Company: Direct	Proportion of equity interest attributable to the Company: Indirect	Principal activities
Obvious Cheer Investment Development Limited ("Obvious Cheer")	British Virgin Islands ("BVI")/ 2 January 2013	USD1	100%	—	Investment holding
Red Kids Group (Hong Kong) Limited ("Red Kids Hong Kong")	Hong Kong/ 29 July 2005	HK$500,000	—	100%	Investment holding
Red Kids (China) Co., Ltd. ("Red Kids China")* 紅孩兒（中國）有限公司	PRC/ 10 January 2000	HK$160,000,000	—	100%	Design, manufacture and sales of children apparel products
Miko (Shanghai) Apparels Co., Ltd.* 米格（上海）服飾有限公司	PRC/ 24 June 2013	HK$20,000,000	—	100%	Trading and retailing of children apparel products

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. RMB is the functional currency and the reporting currency for the Company's subsidiaries established in the mainland China. The functional currency of the Company and its subsidiaries outside the mainland China is Hong Kong Dollar ("HK$").

The Financial Information is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and the major sources of estimation uncertainty are discussed in note 27.

(e) ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

(f) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

Construction in progress represents property, plant and equipment under construction and equipment pending for installation, and is stated at cost less impairment losses (see note 1(j)(ii)). Cost comprises direct cost of construction. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Machinery 10 years
- Motor vehicles 5 years
- Furniture, fixtures and equipment 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(g) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Land use rights are carried at cost less accumulated amortization and impairment losses (see note 1(j)(ii)). Amortization is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Computer software is amortized from the date they are available for use for 10 years.

Both the useful life and method of amortization are reviewed annually.

(i) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior periods.

Impairment losses recognized in respect of trade and bills receivables are included within trade and other receivables, whose recovery is considered doubtful and not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- intangible assets; and
- investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

(k) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(j)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any interest recognized in profit or loss over the period of the borrowings using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, or items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where there is no consideration received or receivable, an immediate expense is also recognized in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

(ii) Provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered and when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful lives of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, manufacturing and wholesaling of children's apparel products in the PRC. Accordingly, no segmental analysis is presented.

2 Turnover

The principal activities of the Group are design, manufacture and sales of children's apparel products. Turnover represents the sales value of goods sold less returns, discounts and value added taxes.

The Group's revenue by geographical location is determined by the destination to which the goods are delivered.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC	315,062	384,881	517,246	174,639	252,550
Overseas	11,912	7,488	2,741	1,909	635
	326,974	392,369	519,987	176,548	253,185

The Group's customer base is diversified and only one customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively. The amount of sales to this customer, Shanghai Red Kids E-commerce Co., Ltd. (see also note 26) amounted to approximately RMB87,827,000 and RMB24,505,000 (unaudited) and RMB37,096,000 for the year ended 31 December 2012 and the six months ended 30 June 2012 and 2013, respectively. Details of concentration of credit risk are set out in note 23(a).

3 Other revenue and other net (loss)/income

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other revenue					
Interest income	33	258	212	154	230
Government grants	114	—	6	—	—
Others	8	361	—	—	—
	155	619	218	154	230
Other net (loss)/income					
Net foreign exchange (loss)/gain	(66)	(98)	1	3	(781)

4 Profit before taxation

Profit before taxation is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(a) Finance costs					
Interest on bank loans	1,877	2,179	2,477	1,094	1,582
(b) Staff costs					
Contributions to defined contribution retirement plans (note 20)	458	627	254	126	102
Salaries, wages and other benefits	33,022	33,602	34,644	13,600	12,897
	33,480	34,229	34,898	13,726	12,999
(c) Other items					
Amortization					
— lease prepayments	88	88	88	44	44
— intangible assets	14	14	14	7	7
Depreciation	2,929	3,533	3,335	1,718	1,559
Auditor's remuneration	18	14	15	7	15
Operating lease charges in respect of properties	54	110	75	42	755
Cost of inventories#	195,554	248,460	324,173	113,090	158,546

Cost of inventories includes RMB28,038,000, RMB26,185,000, RMB24,915,000 and RMB9,423,000 (unaudited) and RMB7,936,000 for the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, respectively, relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 Income tax in the consolidated statements of comprehensive income

(a) Income tax in the consolidated statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
PRC corporate income tax	13,537	8,523	16,699	4,714	15,150
Deferred tax					
Origination and reversal of temporary differences (note 13(b))	(2,665)	2,036	(1,356)	(672)	357
	10,872	10,559	15,343	4,042	15,507

(b) ***Reconciliation between tax expense and accounting profit at applicable tax rates:***

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	86,817	87,882	130,781	37,797	57,735
Notional tax on profit before taxation, calculated at the standard tax rates applicable to the respective tax jurisdictions	21,706	21,971	32,696	9,449	14,929
Tax effect of PRC preferential tax treatment (iii)	(10,854)	(10,986)	(16,349)	(4,724)	—
Effect of non-deductible expenses	20	24	29	9	578
Effect on deferred tax balances at 1 January resulting from a change in tax rate	—	(450)	(1,033)	(692)	—
Actual tax expense	10,872	10,559	15,343	4,042	15,507

(i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands or BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) Red Kids China, being a production-type foreign investment enterprise, was entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in the income tax rate commencing from its first profit making year according to PRC Corporate Income Tax Law ("2+3" tax holiday) since 2008. Accordingly, it is subject to income tax at 12.5% from 2010 to 2012 and 25% from 2013 onwards, respectively.

6 Directors' remuneration

Directors' remuneration is as follows:

Year ended 31 December 2010

	Fee	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ding Peiji	—	172	8	50	230
Mr. Ding Peiyuan	—	116	2	30	148
Ms. Ding Lizhen	—	164	7	30	201
Mr. Gu Jishi	—	449	2	10	461
	—	901	19	120	1,040

Year ended 31 December 2011

	Fee	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ding Peiji	—	300	8	50	358
Mr. Ding Peiyuan	—	240	2	30	272
Ms. Ding Lizhen	—	239	7	40	286
Mr. Gu Jishi	—	598	2	—	600
	—	1,377	19	120	1,516

Year ended 31 December 2012

	Fee	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ding Peiji	—	339	8	30	377
Mr. Ding Peiyuan	—	294	2	26	322
Ms. Ding Lizhen	—	295	7	26	328
Mr. Gu Jishi	—	604	2	11	617
	—	1,532	19	93	1,644

Six months ended 30 June 2012 (unaudited)

	Fee	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ding Peiji	—	160	4	—	164
Mr. Ding Peiyuan	—	137	1	—	138
Ms. Ding Lizhen	—	139	3	—	142
Mr. Gu Jishi	—	297	1	—	298
	—	733	9	—	742

Six months ended 30 June 2013

	Fee	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Ding Peiji	—	298	4	—	302
Mr. Ding Peiyuan	—	257	1	—	258
Ms. Ding Lizhen	—	258	3	—	261
Mr. Gu Jishi	—	339	1	—	340
	—	1,152	9	—	1,161

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

7 Individual with highest emoluments

Of the five individuals with the highest emoluments, four of them are directors during the Relevant Periods, whose emolument is disclosed in note 6 above. The emoluments in respect of the remaining individual are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments	110	121	213	97	113
Contributions to defined contribution retirement plans	2	2	2	1	1
	112	123	215	98	114

The emoluments of the above individual with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK$ Nil to 1,000,000	1	1	1	1	1

8 Earnings per share

The calculation of basic earnings per share during the Relevant Periods is based on the profit for the respective year/period and on the assumption that 640,000,000 ordinary shares of the Company had been in issued throughout the Relevant Periods comprising 1,000,000 ordinary shares in issue as at the date of the Prospectus, and 639,000,000 ordinary shares to be issued pursuant to the capitalization issue as detailed in the section headed "Share Capital" in the Prospectus.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are the same as the basic earnings per share.

9 Property, plant and equipment

	Buildings	Machinery	Motor vehicles	Furniture, fixtures and equipment	Sub-total	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2010	37,852	7,581	4,009	2,383	51,825	11,211	63,036
Additions	—	2	650	380	1,032	1,396	2,428
Transfer from construction in progress	12,607	—	—	—	12,607	(12,607)	—
At 31 December 2010 and 1 January 2011	50,459	7,583	4,659	2,763	65,464	—	65,464
Additions	—	41	—	515	556	—	556
At 31 December 2011 and 1 January 2012	50,459	7,624	4,659	3,278	66,020	—	66,020
Additions	—	—	34	33	67	—	67
At 31 December 2012 and 30 June 2013	50,459	7,624	4,693	3,311	66,087	—	66,087
Accumulated depreciation:							
At 1 January 2010	6,621	5,162	2,344	1,387	15,514	—	15,514
Charge for the year	1,845	484	344	256	2,929	—	2,929
At 31 December 2010 and 1 January 2011	8,466	5,646	2,688	1,643	18,443	—	18,443
Charge for the year	2,325	479	436	293	3,533	—	3,533
At 31 December 2011 and 1 January 2012	10,791	6,125	3,124	1,936	21,976	—	21,976
Charge for the year	2,271	329	437	298	3,335	—	3,335
At 31 December 2012 and 1 January 2013	13,062	6,454	3,561	2,234	25,311	—	25,311
Charge for the period	1,135	61	219	144	1,559	—	1,559
At 30 June 2013	14,197	6,515	3,780	2,378	26,870	—	26,870
Net book value:							
At 31 December 2010	41,993	1,937	1,971	1,120	47,021	—	47,021
At 31 December 2011	39,668	1,499	1,535	1,342	44,044	—	44,044
At 31 December 2012	37,397	1,170	1,132	1,077	40,776	—	40,776
At 30 June 2013	36,262	1,109	913	933	39,217	—	39,217

(a) All property, plant and equipment owned by the Group are located in the PRC.

(b) At 31 December 2010, 2011 and 2012, buildings with net book value of RMB12,144,000, nil and RMB10,447,000 were mortgaged to banks for certain banking facilities granted to Red Kids (Fujian) Children Articles Co., Ltd., a related party of the Group (see note 26). The mortgage has been released before 30 June 2013.

At 30 June 2013, buildings with net book value of RMB10,022,000 were mortgaged to banks for certain banking facilities granted to the Red Kids China.

(c) At 31 December 2010, 2011, 2012 and 30 June 2013, the ownership certificates for buildings with net book value of RMB27,333,000, RMB26,041,000, RMB24,750,000 and RMB24,104,000 respectively have not been obtained.

(d) The Group made prepayments for the acquisition of certain properties held for own use under development in the PRC.

10 Intangible assets

	Computer software RMB'000
Cost:	
At 1 January 2010, 31 December 2010 and 2011 and 2012 and 30 June 2013	144
Accumulated amortization:	
At 1 January 2010	48
Amortization for the year	14
At 31 December 2010 and 1 January 2011	62
Amortization for the year	14
At 31 December 2011 and 1 January 2012	76
Amortization for the year	14
At 31 December 2012 and 1 January 2013	90
Amortization for the period	7
At 30 June 2013	97
Net book value:	
At 31 December 2010	82
At 31 December 2011	68
At 31 December 2012	54
At 30 June 2013	47

The amortization for the year/period is included in administrative and other operating expenses in the consolidated statements of comprehensive income.

11 Lease prepayments

	RMB'000
Cost:	
At 1 January 2010, 31 December 2010 and 2011 and 2012 and 30 June 2013	4,206
Accumulated amortization:	
At 1 January 2010	825
Amortization for the year	88
At 31 December 2010 and 1 January 2011	913
Amortization for the year	88
At 31 December 2011 and 1 January 2012	1,001
Amortization for the year	88
At 31 December 2012 and 1 January 2013	1,089
Amortization for the period	44
At 30 June 2013	1,133
Net book value:	
At 31 December 2010	3,293
At 31 December 2011	3,205
At 31 December 2012	3,117
At 30 June 2013	3,073

At 31 December 2010, 2011 and 2012, lease prepayments with net book value of RMB2,062,000, nil and RMB1,953,000 were mortgaged to banks for certain banking facilities granted to Red Kids (Fujian) Children Articles Co., Ltd., a related party of the Group (see note 26). The mortgage has been released before 30 June 2013.

At 30 June 2013, lease prepayments with net book value of RMB1,925,000 were mortgaged to banks for certain banking facilities granted to Red Kids China.

12 Investments in subsidiaries

Investments in subsidiaries are stated at cost. Details of subsidiaries are set out in note1(b) of Section B of the Financial Information.

13 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for PRC corporate income tax	7,299	4,939	6,336	7,512

(b) Deferred tax assets recognized:

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Accrued expenses
	RMB'000
At 1 January 2010	983
Credited to consolidated statements of comprehensive income (note 5(a))	2,665
At 31 December 2010 and at 1 January 2011	3,648
Charged to consolidated statements of comprehensive income (note 5(a))	(2,036)
At 31 December 2011 and at 1 January 2012	1,612
Credit to consolidated statements of comprehensive income (note 5(a))	1,356
At 31 December 2012 and at 1 January 2013	2,968
Charged to consolidated statements of comprehensive income (note 5(a))	(357)
At 30 June 2013	2,611

(c) Deferred tax liabilities not recognized

According to the PRC Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company.

At 31 December 2010, 2011, 2012 and 30 June 2013, deferred tax liabilities in respect of taxable temporary differences related to the undistributed profits of the Group's PRC's subsidiaries amounted to RMB33,728,000, RMB103,321,000, RMB207,222,000 and RMB247,057,000, respectively were not recognized as the Company controls the dividend policy of the Group's subsidiaries and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

14 Inventories

Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	840	9,386	4,476	3,106
Work in progress	6,711	13,748	9,796	10,626
Finished goods	63,028	58,675	13,601	17,490
	70,579	81,809	27,873	31,222

15 Trade and other receivables

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— third parties	48,096	104,418	196,367	149,427
— related parties	919	11,138	5,415	8,215
Trade receivables	49,015	115,556	201,782	157,642
Prepayments to suppliers	40	4,908	42,033	62,365
Amounts due from related parties	36,091	22,663	1,000	—
Amount due from the ultimate controlling party	—	—	36,429	—
Other deposits, prepayments and receivables	7,960	502	2,057	2,702
	93,106	143,629	283,301	222,709

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, certain amounts of turnover and trade receivables at the end of each reporting periods are related to sales made to related parties (see also note 26(a) for further details). There were no specific payment terms stated in the sales agreements before 1 January 2013. The management considers that these related parties are under the control of family members of the ultimate controlling party, Mr. Ding Peiji, hence no material credit risk exists on receivables from these related parties.

Normally, the Group does not obtain collateral from customers. Credit evaluations are performed by the senior management on all customers with credit sales.

At 31 December 2010, 2011 and 2012, amounts due from related parties and amount due from the ultimate controlling party are unsecured, interest-free and have no fixed repayment terms.

(a) Ageing analysis

Before 1 January 2013, as there were no specific payment terms stated in the sales agreements, the management considers that the disclosure of due date ageing analysis of trade receivables as at 31 December 2010, 2011 and 2012 is not meaningful to the Group. An ageing analysis of trade receivables as at 31 December 2010, 2011 and 2012 and 30 June 2013 based on invoice dates is presented below.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	49,008	95,440	200,083	157,508
More than 3 months but within 6 months	7	5,426	1,698	133
More than 6 months but within 1 year	—	9,489	1	1
More than 1 year	—	5,201	—	—
	49,015	115,556	201,782	157,642

Since 1 January 2013, the Group has enhanced credit evaluation and control policy and has adopted specific payment terms in its sales agreements. In general, the credit period granted to customers is 90 days.

As at 30 June 2013, current balance included in trade receivables amounted to RMB157,508,000. Amount past due amounted to RMB134,000. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(j)(i)). For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, the Group did not record any impairment losses in respect of trade receivables.

The Company

The prepayments at 30 June 2013 represent amounts paid in connection with the proposed listing of the Company's shares on the Main Board of the Stock Exchange.

16 Pledged bank deposits

Bank deposits have been pledged as security for bills payable (see note 19).

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	55,210	4,004	8,894	186,424

The Company

	As at 30 June
	2013
	RMB'000
Cash at bank	35

At 31 December 2010, 2011 and 2012 and 30 June 2013, cash and cash equivalents of the Group placed with banks in the mainland China amounted to RMB12,721,000, RMB3,419,000 and RMB8,564,000 and RMB152,577,000 respectively.

Remittance of funds out of the mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) ***Reconciliation of profit before taxation to cash (used in)/generated from operations:***

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	86,817	87,882	130,781	37,797	57,735
Adjustments for:					
Depreciation	2,929	3,533	3,335	1,718	1,559
Amortization of intangible assets	14	14	14	7	7
Amortization of lease prepayments	88	88	88	44	44
Equity-settled share-based payments	—	—	—	—	1,946
Finance costs	1,877	2,179	2,477	1,094	1,582
Interest income	(33)	(258)	(212)	(154)	(230)
Changes in working capital:					
(Increase)/decrease in inventories	(28,665)	(11,230)	53,936	50,232	(3,349)
(Increase)/decrease in trade and other receivables	(75,988)	(50,523)	(139,672)	(16,378)	60,592
Increase/(decrease) in trade and other payables	10,195	(20,270)	(19,278)	(35,742)	922
Decrease/(increase) in pledged deposits	645	(2,850)	(1,030)	2,167	1,880
Cash (used in)/generated from operations	(2,121)	8,565	30,439	40,785	122,688

18 Bank loans

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
— unsecured	42,500	22,400	38,800	40,590
— secured	—	—	—	28,000
	42,500	22,400	38,800	68,590

19 Trade and other payables

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	6,135	2,569	4,953	9,800
Bills payable (note (a))	—	5,903	6,146	5,000
Trade and bills payables (note (b))	6,135	8,472	11,099	14,800
Receipts in advance				
— third parties	5,157	105	577	604
— related parties	1,606	—	—	—
Amount due to the ultimate controlling party	29,035	29,043	—	—
Amounts due to related parties	108,104	80,797	56,383	146,765
Other payables and accruals	32,408	14,652	21,424	18,618
	182,445	133,069	89,483	180,787

All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

At 31 December 2010, 2011 and 2012 and 30 June 2013, amounts due to related parties are non-trade related, unsecured, interest-free and have no fixed repayment terms.

At 31 December 2010 and 2011, amount due to the ultimate controlling party is unsecured, interest-free and has no fixed repayment terms.

The directors of the Company confirm that amounts due to related parties as at 30 June 2013 represent the amount due to Think Wise Holdings Investment Limited, which will be waived prior to the listing of the Company's shares on the Stock Exchange.

(a) Bills payable as at 31 December 2011 and 2012 and 30 June 2013 were secured by pledged bank deposits (see note 16).

(b) ***An ageing analysis of the trade and bills payables based on invoice dates is as follows:***

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	6,135	6,456	11,099	14,710
More than 3 months but within 6 months	—	2,001	—	90
More than 6 months but within 1 year	—	15	—	—
	6,135	8,472	11,099	14,800

The Company

Amounts due to subsidiaries are unsecured, interest free and have no fixed repayment terms.

20 Employee retirement benefits

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 12% to 22% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

21 Capital

The Company was incorporated on 15 March 2013 in the Cayman Islands with authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and issued 100 shares, credited as fully paid.

The reorganization was not completed as at 31 December 2012, hence the share capital in the consolidated statements of financial position as at 31 December 2010, 2011 and 2012 represented the share capital of Red Kids Hong Kong.

In connection with the reorganization, the Company issued 999,900 shares on 17 June 2013. As at 30 June 2013, a total of 1,000,000 shares of HK$0.01 each were issued.

22 Reserves

(a) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside mainland China which are dealt with in accordance with the accounting policies as set out in note 1(t).

(b) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiary established and operated in the mainland China is required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(c) Share-based payment reserve

Share-based payment reserve represents the fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognized in accordance with IFRS 2, "Share-based payment".

(d) Distributable reserves

The Company was incorporated on 15 March 2013. Prior to the completion of the group reorganization and on the basis set out in note 1(b) of Section B above, the aggregate amount of distributable reserves as at 31 December 2010, 2011 and 2012 of the companies now comprising the Group were RMB33,707,000, RMB103,298,000 and RMB207,191,000, respectively.

After the completion of the group reorganization, the Company became the holding company of companies now comprising the Group. The aggregate amount of distributable reserves of the Company was RMB nil as at 30 June 2013.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligations. The Group's debt to capital ratio, being the Group's total interest-bearing loans and borrowings over its total equity, at 31 December 2010, 2011 and 2012 and 30 June 2013 was 104%, 19% and 16% and 24% respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 Financial risk management and fair value

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, certain amounts of turnover and trade receivables are related to sales to related parties (see note 26(a) for further details). The management considers that related parties are under the control of the family members of the ultimate controlling party, Mr. Ding Peiji, hence no material credit risk exists on sales to related companies. In respect of sales to third party customers, credit evaluations are performed on customers requiring credit terms. These evaluations focus on the customer's history of making payments and current abilities to pay and take into account information specific to the customer as well as to the economic environment. Normally, the Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2010, 2011 and 2012 and 30 June 2013, 1%, 6% and 21% and 18% of the total trade receivables were due from the Group's largest customer, and 11%, 23% and 52% and 48% of the total trade receivables were due from the Group's five largest customers respectively.

The maximum exposure to credit risk of the Group's financial assets is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in note 25, the Group does not provide any other guarantees which would expose the Group to credit risk.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

The board of directors of the Company is responsible for cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

All non-interest bearing financial liabilities of the Group are carried at amount not materially different from their contractual undiscounted cash flow as all the financial liabilities are with maturities within one year or repayable on demand at the end of respective reporting period.

The following tables show the remaining scheduled maturities at the end of respective reporting period of the Group's bank borrowings if the bank borrowings are to be repaid over the agreed repayment schedules, which are based on scheduled undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period):

	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	RMB'000	RMB'000
Bank loans as at 31 December 2010	43,470	43,470	42,500
Bank loans as at 31 December 2011	23,407	23,407	22,400
Bank loans as at 31 December 2012	40,063	40,063	38,800
Bank loans as at 30 June 2013	71,940	71,940	68,590

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management are set out below.

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		RMB'000		RMB'000		RMB'000
Fixed rate borrowings:								
Bank loans	6.903%	13,000	6.736%	22,400	7.325%	38,800	6.865%	68,590
Variable rate borrowings:								
Bank loans	6.258%	29,500		—		—		—
Total borrowings		42,500		22,400		38,800		68,590

(d) Foreign currency risk

Except for an insignificant amount of exports, the Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the management consider the Group's exposure to currency risk is insignificant.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013.

24 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2010, 2011 and 2012 and 30 June 2013 not provided for in the financial statements were as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	—	—	—	63,250

(b) Operating leases commitments

At 31 December 2010, 2011 and 2012 and 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	14	90	741	556
After 1 year but within 5 years	—	133	1,482	1,111
	14	223	2,223	1,667

The Group leases properties under operating leases. The leases typically run for an initial period for one to three years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

25 Contingent liabilities

At 31 December 2010, 2011 and 2012 and 30 June 2013, Red Kids China provided guarantees in respect of bank loans made to related parties and third parties. The maximum liabilities of the Group at 31 December 2010, 2011 and 2012 and 30 June 2013 under these guarantees are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees for related parties	20,000	45,000	29,000	25,000
Guarantees for third parties	30,000	110,000	106,600	106,600
	50,000	155,000	135,600	131,600

The directors do not consider it probable that a claim will be made against the Group under these guarantees. No provision was therefore made by the Group at 31 December 2010, 2011 and 2012 and 30 June 2013. The guarantees at 30 June 2013 will be released upon the listing of the Company's shares on the Stock Exchange.

26 Material related party transactions

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions:

Name of party	Relationships
Mr. Ding Peiji	Ultimate controlling party
Mr. Ding Peiyuan	Director and brother of Mr. Ding Peiji
Ms. Ding Lizhen	Director and sister of Mr. Ding Peiji
Ms. Ding Jiuzhi	Mother of Mr. Ding Peiji
Ms. Chen Mingmei	Daughter of Ms. Ding Lizhen
Red Kids (Fujian) Children Articles Co., Ltd.* ("Red Kids Fujian") (紅孩兒(福建)兒童用品有限公司)	Indirectly 100% owned by Mr. Ding Peiji
Fujian Hopeland Import and Export Trading Co., Ltd.* ("Fujian Hopeland") (福建宏潤進出口貿易有限公司)	60% and 40% owned by Mr. Ding Peiyuan and his father respectively
Shanghai Red Kids E-commerce Co., Ltd.* ("Red Kids E-commerce") (上海紅孩兒電子商務有限公司)	60% and 40% owned by Mr. Ding Peiyuan and his spouse respectively (ceased to be a related party since 25 July 2012 as their interests were sold to third parties)
Minghao (Xiamen) Children Articles Co., Ltd.* ("Minghao Xiamen") (銘濠（廈門）兒童用品有限公司)	80% owned by Mr. Ding Peijie, brother of Mr. Ding Peiji
Think Wise (Shanghai) Apparels Co., Ltd* ("Think Wise Shanghai") (華智（上海）服飾有限公司)	Indirectly 100% owned by Mr. Ding Peiji
Think Wise Holdings Investment Limited ("Think Wise") (華智控股投資有限公司)	100% owned by Mr. Ding Peiji

* The English translation of the company name is for reference only. The official names of these companies are in Chinese.

(a) *Transactions with related parties*

The Group entered into the following related party transactions during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of products to					
— Red Kids E-commerce (prior to 25 July 2012)	788	29,759	35,340	24,505	—
— Minghao Xiamen	19,959	17,301	17,061	7,092	10,919
— Think Wise Shanghai	—	—	5,198	5,198	—
	20,747	47,060	57,599	36,795	10,919

The amount of sales to Red Kids E-commerce amounted to RMB87,827,000 for the year ended 31 December 2012 (see also note 2). The average profit margin for sales of goods to Red Kids E-commerce ranged from 36% to 41% during the period from 1 January 2010 to 31 December 2012. The amounts presented in the table above represented amounts of sales to Red Kids E-commerce before its ownership changed.

The Group sold products to Minghao Xiamen with average profit margin from 38% to 41% during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Advances/repayments from related parties					
— Fujian Hopeland	69,640	74,674	25,163	21,300	1,000
— Think Wise	84,005	2,246	2	—	90,382
— Mr. Ding Peiji	—	8	22,417	—	36,429
— Ms. Ding Lizhen	1,240	—	—	—	—
— Ms. Ding Jiuzhi	12	39,700	—	—	—
— Ms. Chen Mingmei	6,520	30,380	—	—	—
	161,417	147,008	47,582	21,300	127,811
Advances/repayments to related parties					
— Fujian Hopeland	95,970	61,246	3,500	3,500	—
— Think Wise	31,907	29,553	317	317	—
— Mr. Ding Peiji	5,000	—	87,889	73,888	—
— Mr. Ding Peiyuan	6,000	—	24,000	24,000	—
— Ms. Ding Lizhen	1,240	—	99	99	—
— Ms. Ding Jiuzhi	12	39,700	—	—	—
— Ms. Chen Mingmei	6,520	30,380	—	—	—
	146,649	160,879	115,805	101,804	—

(b) Balances with related parties

At the end of each reporting period, the Group had the following balances with related parties:

(i) Due from related parties

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Trade receivables				
— Red Kids E-commerce	919	7,396	—	—
— Minghao Xiamen	—	3,742	5,415	8,215
	919	11,138	5,415	8,215
Non trade-related				
Other receivables				
— Fujian Hopeland	36,091	22,663	1,000	—
— Mr. Ding Peiji	—	—	36,429	—
	36,091	22,663	37,429	—
	37,010	33,801	42,844	8,215

(ii) Due to related parties

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Receipts in advance				
— Minghao Xiamen	1,606	—	—	—
Non-trade related				
Amount due to the ultimate controlling party				
— Mr. Ding Peiji	29,035	29,043	—	—
Amount due to related parties				
— Mr. Ding Peiyuan	24,000	24,000	—	—
— Ms. Ding Lizhen	99	99	—	—
— Think Wise	84,005	56,698	56,383	146,765
	137,139	109,840	56,383	146,765
	138,745	109,840	56,383	146,765

As at 31 December 2010, 2011 and 2012 and 30 June 2013, personal guarantee was given by Mr. Ding Peiji in respect of bank loans to the Group of RMB25,000,000, nil and RMB31,900,000 and RMB63,790,000 respectively.

As at 31 December 2010, 2011 and 2012, Red Kids Fujian's certain banking facilities were secured by mortgages over the Group's buildings and lease prepayments with an aggregate carrying amount of RMB14,206,000, nil and RMB12,400,000 respectively. The mortgages were released during the six months ended 30 June 2013.

The directors of the Company confirm that the amount due to Think Wise will be waived prior to the listing of the Company's shares on the Stock Exchange.

(c) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	1,218	1,738	2,164	927	1,480
Contributions to defined contribution retirement plans	23	24	29	14	16
Total	1,241	1,762	2,193	941	1,496

Total remuneration is included in "staff costs" (note 4(b)).

27 Significant accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior periods and affect the Group's net assets value. The Group reassesses these estimates at the end of each reporting period.

(b) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

28 List of auditors of the subsidiaries

The following list contains details of the companies included in the Financial Information that are subject to audit during the Relevant Periods and the names of the respective auditors.

Name of company	Financial period	Statutory auditors
Red Kids China	For the years ended 31 December 2010 and 2011	Quanzhou Fengze Minghua United Certified Public Accountants* ("泉州豐澤明華聯合會計師事務所")
	For the year ended 31 December 2012	Quanzhou Fengze Quanxin Link Certified Public Accountants * ("泉州豐澤泉信聯合會計師事務所")
Red Kids Hong Kong	For the years ended 31 December 2010, 2011 and 2012	Yiu Kam Man & Co. Certified Public Accountants ("姚金文會計師事務所")

* The English translation of the entity name is for reference only. The official names of these entities are in Chinese.

29 Immediate and ultimate controlling parties

As at 30 June 2013, the directors consider the immediate and ultimate controlling parties to be Think Wise Holdings Investment Limited and Mr. Ding Peiji respectively.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Financial instruments: Presentation — offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IFRS 10, *Consolidated financial statements,* IFRS 12, *Disclosure of interests in other entities* and IAS 27 *Separate financial statements — Investment entities*	1 January 2014
Amendments to IAS 36, *Impairment of assets — Recoverable amount disclosures for non- financial assets*	1 January 2014
IFRIC 21, *Levies*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

The Group has made an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C Subsequent financial statements and dividends

No audited financial statements have been prepared by the Company or its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2013. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong