The following is the text of a report on our Company for the period from August 15, 2008 to December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of our Group, Deloitte Touche Tohmatsu.

Deloitte.
德勤

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35/F One Pacific Place
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Hong Kong

September 16, 2010

The Directors
Boshiwa International Holding Limited
UBS AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited
BOCOM International (Asia) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Boshiwa International Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from August 15, 2008 (the date of change in controlling shareholders, which is described in the Accountant's Report for the Predecessor Track Record Periods (as defined therein)) to December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 (the "Relevant Periods") for inclusion in the prospectus of the Company dated September 16, 2010 (the "Prospectus") in connection with the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on March 24, 2009. Pursuant to a group reorganization (the "Group Reorganization"), as explained in the paragraphs headed "Financial Investment and Corporate Reorganization" in the Section "History and Corporate Structure" to the Prospectus, the Company became the holding company of its subsidiaries on September 3, 2009.

The direct and indirect interests in the following subsidiaries held by the Company during the Relevant Periods and at the date of this report are as follows:

Name of Company	Place and date of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest held by the Company — As at December 31, 2008	As at December 31, 2009	As at June 30, 2010	At date of this report	Principal activities
Directly held:							
Kingman Holdings Limited ("Kingman Holdings")	British Virgin Islands ("BVI") January 8, 2009	US$1	N/A	100%	100%	100%	Investment holding
Indirectly held:							
Pacific Leader International Holdings Limited ("Pacific Leader")	Hong Kong June 12, 2009	HK$1	N/A	100%	100%	100%	Investment holding
Shanghai Rongchen Boshiwa (Group) Co., Ltd.[1] 上海榮臣博士蛙（集團）有限公司 ("Shanghai Boshiwa")	The People's Republic of China (the "PRC") July 30, 1997	US$60,000,000	100%	100%	100%	100%	Designing, sourcing and marketing of children's products
Boshiwa Enterprise Development Co., Ltd.[2] 博士蛙（上海）企業發展有限公司 ("Boshiwa Enterprise")	PRC March 24, 2009	RMB10,000,000	N/A	100%	100%	100%	Selling and marketing of children's products
Shanghai Rongchen Information & Consulting Co., Ltd.[2] 上海榮臣信息諮詢有限公司 ("Shanghai Rongchen")	PRC September 6, 2004	RMB1,000,000	100%	100%	100%	100%	Inactive
Shanghai Desheng Information Technology Limited[3] 上海得勝信息技術有限公司 ("Shanghai Desheng")	PRC September 11, 2003	RMB1,000,000	N/A	N/A	100%	100%	Online sales business

The following companies were subsidiaries of the Group from August 15, 2008 until their respective dates of disposals to third parties in 2008 (note 31 of Section E):

Name of subsidiary	Place and date of establishment and operation	Fully paid registered capital	Attributable equity interest held by the Company as at			Principal activities
			Date of disposal	31 December, 2008	31 December, 2009	
Indirectly held and disposed:						
Shanghai Ronghua Textile Dyeing Company Limited[4] 上海榮華紡織染整製衣有限公司 ("Shanghai Ronghua")	PRC September 12, 1991	US$ 754,000	60%	N/A	N/A	Textile knitting and dyeing services for mediate and high-end market
Shanghai Rongli Textile Garment Limited[4] 上海榮麗紡織製衣服飾有限公司 ("Shanghai Rongli")	PRC March 16, 1993	US$ 1,680,000	60%	N/A	N/A	Textile knitting and OEM services
Shanghai Rongchen Knitting Limited[4] 上海榮臣針織有限公司 ("Rongchen Knitting")	PRC June 7, 2004	RMB2,000,000	75%	N/A	N/A	Textile knitting and OEM services
Shanghai Rongchen Motor Vehicle Driver Training Limited[4] 上海榮臣機動車駕駛員培訓有限公司 ("Driver Training")	PRC January 28, 1994	RMB17,000,000	60%	N/A	N/A	Driver training services
Shanghai Rongbai Trading Limited[5] 上海榮佰貿易有限公司 ("Shanghai Rongbai")	PRC March 27, 2007	RMB1,000,000	75%	N/A	N/A	Garment trading

Notes:

(1) A wholly foreign owned enterprise with limited liability.

(2) Limited liability company wholly owned by Shanghai Boshiwa.

(3) A limited liability company whose entire equity interest was acquired by the Company's chairman and chief executive officer, Mr. Zhong Zheng Yong on March 1, 2010. On June 28, 2010, through a series of arrangements entered between Shanghai Boshiwa and Mr. Zhong Zheng Yong (the "Structure Contracts" and further details are set out in note 1 of the section E), the Company obtained the control over, and the entire beneficial economic interest in Shanghai Desheng and accordingly, has accounted for Shanghai Desheng as a 100% owned subsidiary.

(4) Limited liability company

(5) Limited liability company wholly owned by Rongchen Knitting

The Company and its subsidiaries have adopted December 31 as their financial year end date.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried out any business, except for the transactions relating to the Group Reorganization. We have, however, reviewed all the relevant transactions of the Company since its date of incorporation.

No audited financial statements have been prepared for Kingman Holdings since its date of incorporation as there is no such statutory requirement.

Pacific Leader was incorporated on June 12, 2009 and the statutory financial statements for the period from its date of incorporation to December 31, 2009 were audited by Deloitte Touche Tohmatsu. No audited financial statements have been prepared for Pacific Leader for the six months ended June 30, 2010 as there is no such requirement.

No audited financial statements have been prepared for Shanghai Boshiwa and its subsidiaries for the period from August 15, 2008 to December 31, 2008 and the six months ended June 30, 2010 as there is no such statutory requirement.

The statutory financial statements of Shanghai Boshiwa for the years ended December 31, 2008 and 2009 and the statutory financial statements of Boshiwa Enterprise for the year ended December 31, 2009 were audited by Deloitte Touche Tohmatsu CPA Ltd., a firm of certified public accountants registered in the PRC and our affiliated firm in the PRC. The statutory financial statements of Shanghai Rongchen for the year ended December 31, 2008 and 2009 were audited by 上海中惠會計師事務所有限公司 (Shanghai Zhong Hui Certified Public Accountants Co., Ltd.), a firm of certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises registered in the PRC.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with accounting policies which conform to International Financial Reporting Standards ("IFRSs"). We have carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing.

For the purpose of this report, we have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements and in accordance with the basis set out in note 2 of section E to the Financial Information below. No adjustments were considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 of section E to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at December 31, 2008, December 31, 2009 and June 30, 2010 and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

The corresponding consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statement of changes in equity of the Group for the six months ended June 30, 2009 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "June 30, 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 30, 2009 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consisted principally of making enquiries of the Group's management and applying analytical procedures to the June 30, 2009 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the June 30, 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 30, 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the period from August 15, 2008 (the date of change in controlling shareholders) to December 31, 2008				Six months ended June 30,	
	NOTES	Discontinued operations	Continuing operations	Total	Year ended December 31, 2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	8	1,417	133,089	134,506	630,178	220,956	594,934
Cost of sales		(1,350)	(66,748)	(68,098)	(363,853)	(131,015)	(332,041)
Gross profit		67	66,341	66,408	266,325	89,941	262,893
Other income	9	13,308	379	13,687	6,845	6,749	20,124
Distribution and selling expenses		(22)	(19,853)	(19,875)	(71,910)	(31,111)	(63,435)
Administrative and general expenses		(302)	(2,721)	(3,023)	(24,118)	(8,175)	(37,128)
Finance costs	10	-	(2,698)	(2,698)	(6,365)	(2,800)	(11,427)
Profit before tax	11	13,051	41,448	54,499	170,777	54,604	171,027
Income tax expense	13	(4)	(13,822)	(13,826)	(49,483)	(15,404)	(54,842)
Profit after tax for the period/year and total comprehensive income for the period/year		13,047	27,626	40,673	121,294	39,200	116,185
Attributable to owners of the Company		13,047	27,626	40,673	121,294	39,200	116,185
Earnings per share— basic (RMB cents per share)	14			3.83	8.69	3.02	7.75

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2008 RMB'000	At December 31, 2009 RMB'000	At June 30, 2010 RMB'000
Non-current Assets				
Property, plant and equipment	16	70,474	81,286	143,324
Prepayments for acquisition of property, plant and equipment	17	-	92,700	42,372
Prepayments for acquisition of computer software	17	-	24,150	24,150
Prepaid lease payments—non-current	18	6,669	6,411	6,281
Investment property	19	3,420	3,299	3,238
Intangible assets	20	10,469	10,469	10,469
Loan receivables	21	-	38,610	-
Deferred tax assets	22	388	1,154	5,168
		91,420	258,079	235,002
Current Assets				
Inventories	24	89,287	148,786	224,391
Trade and other receivables	25	165,629	298,338	366,844
Prepaid lease payments—current	18	260	260	260
Amount due from a shareholder	26	542	1,029	1,272
Pledged bank deposits	27	10,000	25,000	47,372
Bank balances and cash	27	22,921	65,762	109,955
		288,639	539,175	750,094
Current Liabilities				
Trade and other payables	28	33,992	115,706	109,465
Tax liabilities		17,812	39,153	60,904
Dividends payable		28,034	27,058	236,794
Short-term borrowings	29	114,895	263,800	255,963
Amount due to a shareholder	26	-	680	-
		194,733	446,397	663,126
Net Current Assets		93,906	92,778	86,968
Total Assets Less Current Liabilities		185,326	350,857	321,970
Capital and Reserves				
Paid-in capital/share capital	30	99,463	1	1
Capital and other reserves		12,060	159,738	307,301
Retained earnings		70,271	181,565	14,668
Total equity attributable to owners of the Company		181,794	341,304	321,970
Non-current Liabilities				
Deferred tax liabilities	22	3,532	9,553	-
Total Equity and Non-current Liabilities		185,326	350,857	321,970

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Paid-in capital/ share capital	Capital reserves	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At August 15, 2008	99,463	1,064	10,956	29,598	141,081	12,125	153,206
Profit and total comprehensive income for the period	-	-	-	40,673	40,673	-	40,673
Dividends	-	-	-	-	-	(3,532)	(3,532)
Acquisition of equity interests from minority shareholders (note a)	-	40	-	-	40	(40)	-
Disposals of subsidiaries	-	-	-	-	-	(8,553)	(8,553)
At December 31, 2008	99,463	1,104	10,956	70,271	181,794	-	181,794
Profit and total comprehensive income for the year	-	-	-	121,294	121,294	-	121,294
Issue of new shares of the Company	1	-	-	-	1	-	1
Capital contribution from owners of the Company	41,017	-	-	-	41,017	-	41,017
Elimination of paid-in capital upon group restructuring (note b)	(140,480)	140,480	-	-	-	-	-
Appropriation to statutory surplus reserve (note c)	-	-	7,198	(7,198)	-	-	-
Dividends	-	-	-	(2,802)	(2,802)	-	(2,802)
At December 31, 2009	1	141,584	18,154	181,565	341,304	-	341,304
Capital contribution from owners of the Company	-	120,613	-	-	120,613	-	120,613
Acquisition of a special purpose entity (note a)	-	868	-	-	868	-	868
Profit and total comprehensive income for the year	-	-	-	116,185	116,185	-	116,185
Appropriation to statutory surplus reserve (note c)	-	-	26,082	(26,082)	-	-	-
Dividends	-	-	-	(257,000)	(257,000)	-	(257,000)
At June 30, 2010	1	263,065	44,236	14,668	321,970	-	321,970
For the six months ended June 30, 2009 (unaudited)							
At January 1, 2009	99,463	1,104	10,956	70,271	181,794	-	181,794
Capital contribution from owners of the Company	36,099	-	-	-	36,099	-	36,099
Profit and total comprehensive income for the period	-	-	-	39,200	39,200	-	39,200
At June 30, 2009	135,562	1,104	10,956	109,471	257,093	-	257,093

Notes:

(a) Capital reserves

Capital reserve at August 15, 2008 represented the difference between the registered capital and the funds contributed by the shareholders of Shanghai Boshiwa at the time when Shanghai Boshiwa was established.

On September 16, 2008, Shanghai Boshiwa acquired 10% equity interest in Shanghai Rongchen from Shanghai Rongli, a subsidiary in which Shanghai Boshiwa has 60% equity interest. The reduction of non-controlling interests is dealt with in capital reserve.

On June 28, 2010, the Company obtained the control over and the entire beneficial economic interest in Shanghai Desheng through Structure Contracts. The equity of Shanghai Desheng was accounted for as capital reserve of the Company.

(b) Group restructuring

On September 3, 2009, Great Dragon (Asia Pacific) Limited ("Great Dragon"), the then shareholder of both the Company and Shanghai Boshiwa, transferred its 100% equity interest in Shanghai Boshiwa to Pacific Leader, the wholly-owned subsidiary of Kingman Holdings (which in turn is a wholly-owned subsidiary of the Company), for a consideration of US$18,000,000 (equivalent to RMB140,480,000) (the "Group Restructuring"). This transfer was accounted for as restructuring of companies under the common control of Great Dragon, using the principle of merger accounting as set out in note 4 of section E below. The consideration was settled by issuing 100,000 ordinary shares of HK$0.0005 each of the Company to Great Dragon.

(c) Statutory surplus reserve

As stipulated by the relevant laws and regulations for enterprises in the PRC, Shanghai Boshiwa and its PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserve is made at no less than 10% out of net profit after taxation of the statutory financial statements of Shanghai Boshiwa and its PRC subsidiaries while the amounts and allocation basis are decided by each board of directors annually. The statutory surplus reserve fund can be used to make up prior years' losses, if any, and can be applied in conversion into capital by means of capitalization issue.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period from August 15, 2008 (the date of change in controlling shareholders) to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities				
Profit before tax	54,499	170,777	54,604	171,027
Adjustments for:				
Finance cost	2,698	6,365	2,800	11,427
Investment income	(200)	(612)	(308)	(330)
Gain on disposal of subsidiaries	(12,879)	-	-	-
Gain on disposal of an associate	(429)	-	-	-
Loss on disposal of property, plant and equipment	-	184	-	-
(Recovery) impairment loss recognized in respect of trade and other receivables	(1,066)	2,003	837	-
Depreciation of property, plant and equipment and investment property	1,087	6,362	2,992	4,798
Amortization of prepaid lease payments	28	258	130	130
Write-down of inventories	-	62	-	344
Operating cash flows before movements in working capital	43,738	185,399	61,055	187,396
(Increase) decrease in inventories	(7,271)	(59,561)	14,351	(75,949)
Increase in trade and other receivables	(11,928)	(177,307)	(100,236)	(67,638)
(Decrease) increase in trade and other payables	(8,416)	81,714	6,522	25,576
Cash (used in) generated from operations	16,123	30,245	(18,308)	69,385
Interest paid	(2,698)	(6,365)	(2,800)	(4,634)
Income taxes paid	(742)	(22,887)	(20,665)	(46,658)
Net cash (used in) generated from operating activities	12,683	993	(41,773)	18,093

	NOTE	For the period from August 15, 2008 (the date of change in controlling shareholders) to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
		RMB'000	RMB'000	(unaudited)	
Investing activities					
Interest received		22	42	27	38
Rentals received from investment property		178	570	281	292
Proceeds from disposal of property, plant and equipment		-	331	-	-
Proceeds from disposal of subsidiaries	31	2,157	12,700	12,700	-
Proceeds from disposal of an associate		1,299	-	-	-
(Increase) decrease in pledged bank deposits		(10,000)	(15,000)	10,000	(22,372)
Advance of loan receivables		-	(38,610)	-	-
Payment and prepayments for acquisition of property, plant and equipment		(45,097)	(110,268)	(3,389)	(16,447)
Payment for prepaid lease payments		(5,197)	-	-	-
Prepayments for acquisition of computer software		-	(24,150)	-	-
Repayment from an associate		5,355	-	-	-
Increase in amount due from a shareholder		(542)	(487)	(100)	(243)
Net cash (used in) generated from investing activities		(51,825)	(174,872)	19,519	(38,732)
Financing activities					
Proceeds from borrowings		91,395	314,300	28,500	181,833
Proceeds from capital contribution by a shareholder		-	41,017	36,099	119,933
Issue of new shares of the Company		-	1	-	-
Advance from a shareholder		-	680	-	-
Repayment of borrowings		(15,000)	(135,500)	(58,500)	(189,670)
Repayment of loans from related parties		(23,746)	-	-	-
Dividends paid		(1,000)	(3,778)	-	(47,264)
Net cash generated from financing activities		51,649	216,720	6,099	64,832
Increase (decrease) in cash and cash equivalents		12,507	42,841	(16,155)	44,193
Cash and cash equivalents at beginning of the period/year		10,414	22,921	22,921	65,762
Cash and cash equivalents at end of the period/year, represented by bank balances and cash		22,921	65,762	6,766	109,955

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of Cayman Islands on March 24, 2009. The address of the Company's registered office is Equity Trust Company (Cayman) Ltd, 1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The Company's holding company was Great Dragon, a company incorporated in the British Virgin Islands with limited liability. Mr. Chen Pei Qi is the controlling shareholder of Great Dragon. The Company is an investment holding company. The principal activities of the Group are designing, sourcing and marketing of children's products.

On March 1, 2010, Mr. Zhong Zheng Yong, the Company's chairman and chief executive officer, acquired Shanghai Desheng, a limited liability company established in the PRC from two Chinese residents, to conduct online sales business in the PRC.

The existing PRC laws and regulations restrict foreign investors in business providing value added telecommunications services in the PRC. Shanghai Boshiwa and its subsidiaries cannot be granted with the operating license for value added telecommunication services ("ICP license").

Shanghai Boshiwa and Boshiwa Enterprise ceased online sales business on June 28, 2010. Through a series of structure contracts (the "Structure Contracts"), Shanghai Boshiwa will conduct online sales through Shanghai Desheng and through its self-owned websites upon the granting of the ICP license by Shanghai Communications Administration to Shanghai Desheng and completion of the registration formalities by Shanghai Desheng to include "Internet information services" into its business scope, which are expected to be obtained or completed by the end of 2010.

The Company has concluded that it is appropriate to include the assets and liabilities, income and expense of Shanghai Desheng in its consolidated financial statements since June 28, 2010 notwithstanding the lack of equity ownership therein, due to Shanghai Boshiwa's effective control over Shanghai Desheng through Structure Contracts.

The key provisions of the Structure Contracts are as follows:

Exclusive Equity Transfer Call Agreement. Shanghai Boshiwa and Mr. Zhong Zheng Yong irrevocably agreed that, at Shanghai Boshiwa's sole discretion, Shanghai Boshiwa will be entitled to acquire all or part of the equity interest in Shanghai Desheng to the extent as permitted by the then effective PRC laws and regulations. Any considerations paid by Shanghai Boshiwa for such acquisition will be refunded to Shanghai Boshiwa by Mr. Zhong Zheng Yong. Mr. Zhong Zheng Yong has also agreed that he will not enter into any transactions, that would substantially affect the assets, liabilities, equity or operations of Shanghai Desheng without Shanghai Boshiwa's prior written consent.

Exclusive Management Service and Consultancy Agreement. Shanghai Boshiwa agreed to provide Shanghai Desheng with management consulting and related services, and Shanghai Boshiwa is the exclusive provider of the these services. In consideration for those services, Shanghai Desheng agrees to pay services fees to Shanghai Boshiwa, which represent substantially all of the economic benefits from Shanghai Desheng's operations.

Equity Pledge Agreements. To secure the full performance of his obligations under the Exclusive Equity Transfer Call Agreement, Mr. Zhong Zheng Yong agreed to pledge all of his equity interests in Shanghai Desheng to Shanghai Boshiwa. In the event of a breach of any term in the above agreement by Mr. Zhong Zheng Yong, Shanghai Boshiwa will be entitled to enforce its pledge rights over such pledged equity interests to compensate for any and all losses suffered from such breach.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Structure Contracts have in substance enable the Company to obtain control over, and the entire beneficial economic interest in, Shanghai Desheng without getting formal legal equity interest in Shanghai Desheng.

Accordingly, Shanghai Desheng is accounted for as a subsidiary of the Company from June 28, 2010.

The Financial Information of the Group is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the Company and the principal subsidiaries).

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Great Dragon obtained the control over the companies now comprising the Group on August 15, 2008 through acquisition of the equity interests from the owners of the companies now comprising the Group.

Pursuant to the Group Reorganization as explained in note (a) of Section C, the Company became the holding company of the companies now comprising the Group on September 3, 2009. The Company and its subsidiaries have been under the control of Great Dragon throughout the Relevant Periods or since their respective dates of incorporation or establishment to June 30, 2010 or until the dates of disposals, where applicable. The Group comprising the Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the consolidated Financial Information of the Group has been prepared on the basis as if the Company has always been the holding company of the Group throughout the Relevant Periods.

The consolidated statement of financial position of the Group as at December 31, 2008 has been prepared to present the assets and liabilities of the companies and business comprising the Group as if the current group structure had been in existence as at that reporting date.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on January 1, 2010.

At the date of this report, the following new and revised standards, amendments or interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2010[(1)]
IAS 24 (Revised)	Related Party Disclosures[(4)]
IAS 32 (Amendment)	Classification of Rights Issues[(2)]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[(3)]
IFRS 9	Financial Instruments[(5)]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[(4)]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[(3)]

Notes:

(1) Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate

(2) Effective for annual periods beginning on or after February 1, 2010

(3) Effective for annual periods beginning on or after July 1, 2010

(4) Effective for annual periods beginning on or after January 1, 2011

(5) Effective for annual periods beginning on or after January 1, 2013

The Group has not early adopted these new and revised standards, amendments or interpretations in the preparation of the Financial Information.

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with the accounting policies set out below which are in conformity with IFRSs. These policies have been consistently applied throughout the Relevant Periods.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable during the year/period.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value of individual investment. The Group's share of losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from goods sold in the normal course of business, net of related sales taxes.

Revenue from sales of goods is recognized when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year in which the item is derecognized.

Leasing

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

The Group as lessor

Rental income from operating leases is recognized in the consolidated statements of comprehensive income on a straight-line basis over the term of the relevant lease.

Prepaid lease payments

Prepaid lease payments represent payments for leasehold land and are amortized over the lease terms on a straight-line basis. Prepaid lease payments which are to be amortized in the next twelve months or less are classified as current assets.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period/year in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Intangible assets

Trademark

A trademark acquired separately and with indefinite useful life is carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, amount due from a shareholder, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, dividends payable, amount due to a shareholder and short-term borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded as the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial asset and recognize a collateralized borrowing for proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

The Group assesses periodically if the inventories suffer from any impairment in accordance with the accounting policy stated in note 4. The management would review the inventory levels, sales of inventory in the period and inventory composition at the end of the reporting period so as to determine whether allowance for obsolete and slow-moving inventories is required to be made. The management estimates the net realizable value for such inventories based on the past sales performance, any planned promotional activities and general consumer trends. If the actual selling prices of the inventories are less than expected, a material impairment loss may arise. In this regard, the management of the Company is satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories was provided for the Relevant Periods.

Trade and other receivables

Note 4 describes that trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired.

Significant management estimation is required in identifying doubtful debts and determining the recoverability of doubtful debts based on the aging analysis, customers' historical credit records and sales personnel's report on the recoverability according to their discussion with relevant customers. A significant deviation from management estimation may result in material change in impairment loss.

Deferred tax

As at December 31, 2008, 2009 and June 30, 2010, a total deferred tax asset of RMB1,370,000, RMB2,223,000 and RMB6,281,000 respectively in relation to write-down of inventories and doubtful debts, accrued payroll and other expenses, unrealized profits in inventories arising from inter-company transactions and tax losses has been recognized in the Group's consolidated statement of financial position. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Significant management estimation is required to determine the amount of deferred tax assets that can or cannot be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash generating units to which intangible assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value.

The carrying amount of intangible assets was RMB10,469,000 as at December 31, 2008, 2009 and June 30, 2010 and no impairment loss was recognized during the Relevant Periods. Details of the impairment loss assessment are set out in note 20.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of short-term borrowings (net of cash and cash equivalents) and equity attributable to the owner of the Company, comprising paid-in capital/issued share capital, reserves and retained profits, as disclosed in the consolidated statements of financial position.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through payment of dividends, new share issues as well as the raising of new borrowings or the repayment of existing borrowings.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Financial assets:			
Loan and receivables (including cash and cash equivalents)	195,276	409,143	477,395
Financial liabilities:			
Liabilities measured at amortized costs	172,514	381,336	579,017

Financial risk management objectives and policies

The Group's major financial instruments are loans and receivables (which includes loan receivables, trade and other receivables, amount due from a shareholder, pledged bank deposits and bank balances and cash), trade and other payables, dividends payable and short-term borrowings. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged during the Relevant Periods.

Market risk

The Group's activities expose it primarily to the market risks including foreign currency risk and interest rate risk. There has been no change to the Group's exposure to these market risks or the manner in which it manages and measures the risks for the Relevant Periods.

Foreign currency risk management

The primary economic environment which most of the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, certain bank balances and borrowings, sales and purchases of the Group are denominated in Hong Kong Dollars ("HK$"), United States Dollars ("US$"), and Australian Dollars ("AU$") which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated bank balances, borrowings and interests payables, and trade receivables at the end of the period/year are as follows:

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets			
HK$	-	2,807	90
US$	190	704	169
AU$	-	-	566
JP¥	-	-	186
Liabilities			
HK$	-	73,200	102,156

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against HK$, US$, AU$ and JP¥. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their value at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the period/year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the period/year.

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
HK$ impact	-	(3,543)	(5,103)
US$ impact	7	26	7
AU$ impact	-	-	24
JP¥ impact	-	-	8

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently does not take any measures to hedge currency risk exposures.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings and fixed-rate loan receivables. The Group's cash flow interest rate risk relates primarily to their variable-rate bank deposits. The Group currently does not have a specific policy to manage their interest rate risk and has not entered into interest rate swaps to hedge the exposure, but will closely monitor the interest rate risk exposure in the future. In management's opinion, the Group does not have significant exposure to cash flow interest rate risk in relation to its variable-rate bank deposits as at December 31, 2008, 2009 and June 30, 2010 as it is expected that the reasonably possible change of deposit interest rate is insignificant. Therefore, no sensitivity analysis has been presented.

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statements of financial position at the end of each of the reporting period.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management of the Group reviews the recoverability of each trade debt at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in respect of bank balances. Approximately 98%, 99% and 85% of the bank balances as at December 31, 2008, 2009 and June 30, 2010, respectively, were deposited with two of the five biggest state-owned banks in the PRC and the credit risk on these liquid funds is limited.

The Group has concentration of credit risk in respect of loan receivables. Approximately 90% of the loan receivables as at December 31, 2009 were provided to 5 long-term suppliers. The management of the Group reviews the counterparties' financial status periodically and continuously monitors the level of exposure to ensure that follow up actions and collection actions are taken promptly to lower exposure. The above receivables has been settled in full during the six months ended June 30, 2010 as set out in note 21 and 32.

The following table shows the trade accounts and notes receivables ("TR") that individually accounted for more than 10% of the total TR as at the end of each of the reporting period:

	At December 31, 2008		At December 31, 2009		At June 30, 2010	
	TR	TR	TR	TR	TR	TR
	RMB'000	%	RMB'000	%	RMB'000	%
A	21,089	17	*	*	*	*
B	20,522	17	*	*	*	*
C	13,980	11	*	*	*	*
D	12,828	10	*	*	*	*

* Less than 10% of the Group's total TR

The Group has concentration of credit risk as at December 31, 2008 as 55% of the total TR were due from four customers. In order to minimize the credit risk, the management of the Group reviews the credit limits and credit approvals periodically and continuously monitors the level of exposure to ensure that follow-up actions and collection actions are taken promptly to lower exposure and recover the overdue debts.

Liquidity risk management

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities and by continuously monitoring forecasted and actual cash flows.

As at December 31, 2008, 2009 and June 30, 2010, the Group has available unutilized bank facilities of approximately RMB32,500,000, RMB500,000 and 16,100,000, which will expire on

September 8, June 11, 2011 and October 15, 2012 respectively. As at December 31, 2008, 2009 and June 30, 2010, the Group has available unutilized facilities from BOCOM International Holdings Company Limited of RMB nil, RMB24,210,000 and RMB nil respectively which will expire (i) 7 business days from the date on which dealing in the shares of the Company first commence on the Hong Kong Stock Exchange ("Listing Date"), or (ii) 12 months from December 10, 2009 whichever is the earlier.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed payment terms.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
As at December 31, 2008					
Trade and other payables	-	25,843	3,742	29,585	29,585
Short-term borrowings					
—fixed rate borrowings	6.58%	36,086	51,175	87,261	85,000
—factored notes receivable	8.18%	14,415	16,061	30,476	29,895
Dividends payable	-	28,034	-	28,034	28,034
		104,378	70,978	175,356	172,514
As at December 31, 2009					
Trade and other payables	-	83,277	6,521	89,798	89,798
Amount due to a shareholder	-	680	-	680	680
Short-term borrowings					
—fixed rate borrowings	7.49%	77,875	201,519	279,394	263,800
Dividends payable	-	27,058	-	27,058	27,058
		188,890	208,040	396,930	381,336
As at June 30, 2010					
Trade and other payables	-	85,016	1,244	86,260	86,260
Short-term borrowings					
—fixed rate borrowings	8.64%	12,356	258,311	270,667	255,963
Dividend payable	-	236,794	-	236,794	236,794
		334,166	259,555	593,721	579,017

Fair value of financial instruments

The fair value of the Group's financial assets and financial liabilities are determined using discounted cash flow analysis and the applicable yield curve.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services provided to outside customers during the Relevant Periods.

Mr. Zhong Zheng Yong, the chairman and chief operating decision maker of the Group, regularly reviews revenue analysis by major products and the Group's profit for the period/year based on management accounts prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC and which also conform, in material respects, to the IFRSs, to make decisions about resource allocation and performance assessment. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources allocation of different business activities.

Substantially all the Group's revenue from external customers is derived from the PRC and the Group's non-current assets are also substantially located in the PRC, the place of domicile of the Group's operating entities.

Revenue analyzed by major products categories are as follows:

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from						
Children's apparel and accessories	-	124,844	124,844	569,115	200,309	449,339
Other children's products	-	8,245	8,245	61,043	20,643	145,595
Driver training services	1,417	-	1,417	-	-	-
Others	-	-	-	20	4	-
Total revenue	1,417	133,089	134,506	630,178	220,956	594,934

Information about major customer

Revenue from major customer which accounts for 10% or more of the Group's revenue during each period/year are as follows:

	For the period from August 15, 2008 to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A	14,865	*	*	*
Customer B	*	*	31,191	*
Customer C	*	*	25,803	*

* Less than 10% of the Group's total revenue

9. OTHER INCOME

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investment income:						
Interest on bank deposits	-	22	22	42	27	38
Gain on disposal of subsidiaries	12,879	-	12,879	-	-	-
Gain on disposal of an associate	429	-	429	-	-	-
Rentals from investment property	-	178	178	570	281	292
	13,308	200	13,508	612	308	330
Other gains and losses:						
Loss on disposal of property, plant and equipment	-	-	-	(184)	-	-
Net foreign exchange (losses) gains	-	-	-	(257)	(41)	374
Government grants	-	951	951	6,813	6,551	19,443
Others	-	(772)	(772)	(139)	(69)	(23)
	-	179	179	6,233	6,441	19,794
	13,308	379	13,687	6,845	6,749	20,124

10. FINANCE COSTS

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on:						
—borrowings wholly repayable within five years	-	2,698	2,698	6,365	2,800	11,427

11. PROFIT BEFORE TAX

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax has been arrived at after charging (crediting):						
Directors' remuneration, including retirement benefit schemes contributions (note 12)	-	314	314	1,648	824	824
Other staff costs	-	6,786	6,786	17,950	7,895	18,527
Other staff's retirement benefits scheme contributions	-	313	313	1,813	1,018	1,780
Total staff costs		7,413	7,413	21,411	9,737	21,131
(Recovery of) allowance for doubtful debts	-	(1,066)	(1,066)	2,003	837	-
Cost of inventories recognized as expenses	1,350	66,748	68,098	363,853	131,015	332,041
Write-down of inventories	-	-	-	62	-	344
Depreciation of property, plant, and equipment	-	1,047	1,047	6,241	2,931	4,737
Depreciation of investment property	-	40	40	121	61	61
Minimum operating lease rentals in respect of rented premises	-	1,585	1,585	6,695	2,049	11,132
Contingent operating lease rentals (mainly including concessionaire fees) in respect of rented premises	-	8,799	8,799	24,361	9,654	18,246
Amortization of prepaid lease payments	-	28	28	258	130	130
Research expenses	-	691	691	2,630	1,039	1,303
Auditors' remuneration	-	220	220	207	106	2,487
Gross rental income less direct operating expenses from investment property	-	(178)	(178)	(570)	(281)	(292)

12. DIRECTORS' AND EMPLOYEES' REMUNERATION

Details of the emoluments paid to the directors of the Company for the Relevant Periods are as follows:

	For the period from August 15, 2008 to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors				
—salaries and other benefits	300	1,600	800	800
—contributions to retirement benefit scheme	14	48	24	24
	314	1,648	824	824

The emoluments of the directors on a named basis are as follows:

For the period from August 15, 2008 to December 31, 2008	Salaries and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000
Mr. Zhong Zheng Yong	150	7	157
Ms. Chen Li Ping	150	7	157
	300	14	314

Year ended December 31, 2009	Salaries and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000
Mr. Zhong Zheng Yong	1,000	24	1,024
Ms. Chen Li Ping	600	24	624
	1,600	48	1,648

Six months ended June 30, 2010	Salaries and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000
Mr. Zhong Zheng Yong	500	12	512
Ms. Chen Li Ping	300	12	312
	800	24	824

Six months ended June 30, 2009	Salaries and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000 (unaudited)	RMB'000
Mr. Zhong Zheng Yong	500	12	512
Ms. Chen Li Ping	300	12	312
	800	24	824

The five highest paid individuals include two directors of the Company for the period from August 15, 2008 to December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2009 (unaudited) and 2010. Details of whose emoluments are set out above. The emoluments of the remaining three individuals during the Relevant Periods were as follows:

	For the period from August 15, 2008 to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employees				
—salaries and other benefits	160	1,070	535	540
—contributions to retirement benefit scheme	11	63	32	31
	171	1,133	567	571

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods. Except for Mr. Zhong Zheng Yong for the year ended December 31, 2009, the annual emoluments of each of the five highest paid individuals during the Relevant Periods were below HK$1,000,000.

13. INCOME TAX EXPENSE

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:						
PRC Enterprise Income Tax ("EIT")	4	10,532	10,536	44,228	13,840	68,409
Deferred tax charge (note 22):	-	3,290	3,290	5,255	1,564	(13,567)
Total tax expense	4	13,822	13,826	49,483	15,404	54,842

The Company and Kingman Holdings are tax exempted companies incorporated in the Cayman Islands and BVI, respectively. Pacific Leader was incorporated in Hong Kong, where the applicable income tax rate is 16.5%.

On March 16, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the statutory EIT rate to 25% from January 1, 2008 onwards.

The applicable income tax rate for Shanghai Boshiwa, Shanghai Rongchen, Shanghai Rongbai and Shanghai Ronghua is 25% from 2008. In accordance with relevant regulations, Shanghai Rongli was entitled to enjoy a transition period of 5 years to gradually resume 25% tax rate. The applicable income tax rate for 2008 was 18%. EIT provision for Driver Training and Shanghai Knitting was 0.5% to 3.3% of the revenue from different sales or services for the year/period as adjusted (the deemed taxation method) in accordance with the relevant tax laws.

The deemed taxation method of tax calculation is used by the tax authorities for ease of tax administration purpose. If a taxpayer obtains approval from a competent tax authority to use deemed taxation method to file its income tax return, it will be taxed at 25% statutory income tax rate (or 33% for 2007) on a deemed profit instead of actual profit. The deemed profit is calculated based on the reported turnover and a deemed profit rate, which is usually determined and approved by the tax authority based on the industry which the taxpayer is engaged in.

Driver Training and Rongchen Knitting had received approval from their relevant local tax authority which allows them to report their income tax on the deemed profit basis. Before their businesses were disposed of by the Company in 2008, their applicable statutory tax rates were 33% and 25% for 2007 and 2008 respectively. As their deemed profits were calculated at 1.52% to 12% of the revenue from different sales or services, the effective income tax liability was 0.5% to 3.3% of the revenue from the respective sales or services for the year/period.

No additional tax liabilities are required for the Group on the differences between the deemed and actual profits of Driver Training and Rongchen Knitting, if any, after its disposal of Driver Training and Rongchen Knitting in 2008.

The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realized or the liability is settled.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable from January 1, 2008 to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or a lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. Deferred tax on withholding income tax has been provided for the undistributed profits of PRC entities, amounting to RMB3,532,000, RMB1,730,000 (unaudited) and RMB6,021,000 for the period from August 15, 2008 to December 31, 2008, for the six months ended June 30, 2009 and for the year ended December 31, 2009, in accordance with the dividend amount the directors anticipate to distribute out of such profits of its PRC subsidiaries in the foreseeable future. These deferred taxation arising from the withholding tax have been reversed in the six months ended June 30, 2010 due to the declaration of dividends to non-PRC tax resident enterprises.

The taxation for the Relevant Periods is reconciled to profit before tax as follows:

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	13,051	41,448	54,499	170,777	54,604	171,027
Income tax expense at PRC income tax rate of 25%	3,263	10,362	13,625	42,694	13,651	42,757
Tax effect of expenses not deductible for tax purpose	-	8	8	750	23	6,007
Effect of income that is exempted from taxation	(3,276)	-	(3,276)	-	-	-
Deferred tax on withholding income tax on undistributed profits	-	3,532	3,532	6,021	1,730	-
Effect of tax calculated based on revenue as a deemed profit basis	17	-	17	-	-	-
Income tax for the dividends distributed by the Company's PRC subsidiary	-	-	-	-	-	6,078
Others	-	(80)	(80)	18	-	-
Taxation for the period/year	4	13,822	13,826	49,483	15,404	54,842

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the followings:

	For the period from August 15, 2008 to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2009	Six months ended June 30, 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Profits				
Profit for the period/year attributable to owner of the Company for the purpose of basic earnings per share	40,673	121,294	39,200	116,185
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,062,033,741	1,395,804,073	1,296,555,397	1,500,000,000

The weighted average numbers of shares for the purposes of calculating the basic earnings per share for the Relevant Periods have been determined as if the Group Reorganization had been effective on the first day of the Relevant Periods and adjusted for the capitalization issue as detailed in Appendix VI of the Prospectus retrospectively.

The Group has no potential ordinary shares throughout the Relevant Periods.

15. DIVIDENDS

	For the period from August 15, 2008 to December 31, 2008	Year ended December 31, 2009	Six months ended June 30, 2010
	RMB'000	RMB'000	RMB'000
Dividends declared for the period/year	-	2,802	257,000

Pursuant to the resolutions of Board of Directors' meetings dated July 15, 2009 and June 30, 2010, the Company declared dividends of approximately of RMB2,802,000 and RMB257,000,000.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At August 15, 2008	25,610	11,556	14,272	2,785	-	67	54,290
Additions	41,899	-	2,711	-	-	487	45,097
At December 31, 2008	67,509	11,556	16,983	2,785	-	554	99,387
Additions	-	33	8,938	2,061	-	6,536	17,568
Transfers	-	204	2,930	-	3,647	(6,781)	-
Disposals	-	(6,127)	-	(185)	-	-	(6,312)
At December 31, 2009	67,509	5,666	28,851	4,661	3,647	309	110,643
Additions	-	-	13,990	-	2,668	50,117	66,775
Transfers	-	-	577	-	49,849	(50,426)	-
At June 30, 2010	67,509	5,666	43,418	4,661	56,164	-	177,418
DEPRECIATION							
At August 15, 2008	(8,806)	(10,269)	(6,575)	(2,216)	-	-	(27,866)
Provided for the period	(260)	(39)	(710)	(38)	-	-	(1,047)
At December 31, 2008	(9,066)	(10,308)	(7,285)	(2,254)	-	-	(28,913)
Provided for the year	(2,713)	(81)	(3,239)	(206)	(2)	-	(6,241)
Eliminated on disposals	-	5,632	-	165	-	-	5,797
At December 31, 2009	(11,779)	(4,757)	(10,524)	(2,295)	(2)	-	(29,357)
Provided for the period	(1,341)	(60)	(2,547)	(241)	(548)	-	(4,737)
At June 30, 2010	(13,120)	(4,817)	(13,071)	(2,536)	(550)	-	(34,094)
CARRYING VALUE							
At December 31, 2008	58,443	1,248	9,698	531	-	554	70,474
At December 31, 2009	55,730	909	18,327	2,366	3,645	309	81,286
At June 30, 2010	54,389	849	30,347	2,125	55,614	-	143,324

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives using the straight-line method, at the following rates per annum:

Buildings	3%-9%
Machinery	9%
Furniture, fixtures and equipment	9%-20%
Motor vehicles	13%-18%
Leasehold improvements	Over the shorter of the lease term and 10 years

The Group's buildings are located on land in the PRC which is under a lease term of 50 years.

As at December 31, 2008, 2009 and June 30, 2010, the Group pledged its buildings with carrying value of approximately RMB58,443,000, RMB55,730,000 and RMB54,389,000, respectively to a bank to secure banking facilities granted to the Group.

17. PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND COMPUTER SOFTWARE

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of:			
—property, plant and equipment	-	92,700	42,372
—computer software	-	24,150	24,150
	-	116,850	66,522

18. PREPAID LEASE PAYMENTS

	Land use rights RMB'000
COST	
At August 15, 2008	2,612
Additions	5,197
At December 31, 2008, 2009 and June 30, 2010	7,809
RELEASE TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
At August 15, 2008	852
Released to the consolidated statement of comprehensive income during the period	28
At December 31, 2008	880
Released to the consolidated statement of comprehensive income during the year	258
At December 31, 2009	1,138
Released to the consolidated statement of comprehensive income during the period	130
At June 30, 2010	1,268
CARRYING VALUES	
At December 31, 2008	6,929
At December 31, 2009	6,671
At June 30, 2010	6,541

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:			
—Non-current assets	6,669	6,411	6,281
—Current assets	260	260	260
	6,929	6,671	6,541

The two pieces of land which the Group's buildings and the investment property are situated on are located in Shanghai, PRC under medium-term lease for a period of 50 years and will expire in 2043 and 2047 respectively. The underlying land use right with carrying value of approximately RMB6,929,000, RMB6,671,000 and RMB6,541,000 as at December 31, 2008, 2009 and June 30, 2010, respectively, was pledged against the short-term borrowings of the Group.

19. INVESTMENT PROPERTY

	Amount RMB'000
Cost	
At August 15, 2008, December 31, 2008, 2009 and June 30, 2010	4,035
DEPRECIATION	
At August 15, 2008	575
Provided for the period	40
At December 31, 2008	615
Provided for the year	121
At December 31, 2009	736
Provided for the period	61
At June 30, 2010	797
CARRYING VALUES	
At December 31, 2008	3,420
At December 31, 2009	3,299
At June 30, 2010	3,238

The above property is depreciated over its estimated useful life using the straight-line method, on the rate of 3% per annum. The fair value of the Group's investment property and the land use right where it is located is RMB15,993,000, RMB14,755,000 and RMB14,697,000 at December 31, 2008, 2009 and June 30, 2010, respectively, which have been arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group, with a valuation report issued on August 3, 2010. Jones Lang LaSalle Sallmanns Limited are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by the income approach by taking into account the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the lease, which has been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

The Group's investment property is located on land in the PRC which is under a lease term of 50 years and pledged to secure banking facilities as at December 31, 2008, 2009 and June 30, 2010.

20. INTANGIBLE ASSETS

	Trademark RMB'000
COST	
At August 15, 2008, December 31, 2008, 2009 and June 30, 2010	10,469
IMPAIRMENT	
At August 15, 2008, December 31, 2008, 2009 and June 30, 2010	—
CARRYING VALUES	
At August 15, 2008, December 31, 2008, 2009 and June 30, 2010	10,469

The trademark is registered in the PRC and the current registration will expire in 2017. In the opinion of directors, the Group will not incur significant costs to renew the registration of the trademark which is a routine administrative procedure. Accordingly, the trademark is deemed to have an indefinite useful life and is carried at cost less any subsequent accumulated impairment losses.

Impairment tests for intangible assets with indefinite life

For the purpose of impairment testing, trademark has been allocated to a cash-generating unit, children's apparel, accessories and other products (the "CGU").

As at December 31, 2008, 2009 and June 30, 2010, the directors of the Company determined that the CGU containing the trademark had not suffered any impairment.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarized below:

- The recoverable amount of the CGU has been determined based on value in use calculation.
- That calculation uses cash flow projections based on financial budgets approved by management covering one year period and a discount rate of 20% at both December 31, 2008, 2009 and June 30, 2010. The cash flows beyond one year period are extrapolated using a steady annual growth rate of 3% at the end of each reporting period. This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term rate for the relevant industry. The discount rate of 20% is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.
- Other key assumptions for the value in use calculation related to the estimation of cash inflow and outflows include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The directors of the Company consider that any reasonably possible change in any of these assumptions would not cause the carrying amount (including the trademark) of the CGU to exceed the corresponding recoverable amount.

21. LOAN RECEIVABLES

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Loan receivables	-	38,610	-

The Group has provided unsecured loans to certain long-term suppliers at a fixed rate of 5.40% per annum with maturity periods not exceeding 3 years, which will be due in December 2012.

The Group has not provided any allowance for the loan receivables as at December 31, 2009.

The interest was waived and all of the above receivables were settled in full before June 30, 2010.

22. DEFERRED TAX

The following is the deferred tax assets/(liabilities) recognized by the Group and movements thereon during the Relevant Periods.

	Write-down of inventories	Doubtful debts	Amortization of intangible assets	Accrued payroll and other expenses	Tax losses	Withholding tax on undistributed profits	Unrealized profit (loss) in inventories arising from inter-company transaction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At August 15, 2008	919	717	(952)	-	-	-	(538)	146
Credit (charge) to consolidated statement of comprehensive income for the period	-	(266)	(30)	-	-	(3,532)	538	(3,290)
At December 31, 2008	919	451	(982)	-	-	(3,532)	-	(3,144)
Credit (charge) to consolidated statement of comprehensive income for the year	15	500	(87)	-	213	(6,021)	125	(5,255)
At December 31, 2009	934	951	(1,069)	-	213	(9,553)	125	(8,399)
Credit (charge) to consolidated statement of comprehensive income of the period	86	-	(44)	3,924	(213)	9,553	261	13,567
At June 30, 2010	1,020	951	(1,113)	3,924	-	-	386	5,168

The following is the analysis of the deferred tax balance for financial report presentation purposes.

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred tax assets	388	1,154	5,168
Deferred tax liabilities	(3,532)	(9,553)	-

The deferred tax balances have reflected the tax rates that are expected to apply in the respective periods when the asset is realized or the liability is settled.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared to non tax resident enterprises in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred tax liabilities of RMB3,532,000 and RMB9,553,000 have been recognized for taxable temporary differences arising on the undistributed profits of PRC entities as at December 31, 2008 and December 31, 2009, respectively, in accordance with the dividend amount the directors anticipate to distribute out of such profits of its PRC subsidiaries in the foreseeable future. These deferred taxation arising from the withholding tax have been reversed in the six months ended June 30, 2010 due to the declaration of dividends to non tax resident enterprises. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to RMB13,287,000 as at June 30, 2010 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at the end of each reporting period, the Group had no other significant unprovided deferred taxation.

23. DISCONTINUED OPERATIONS

During August to October 2008, Shanghai Boshiwa disposed its manufacturing subsidiaries and Driver Training (which are classified as discontinued operations in the Accountant's Report for the Predecessor Periods and detailed in note 31 of Section E), and its associates. The disposal of the manufacturing and OEM operations and driver training services is consistent with the Shanghai Boshiwa Group's long-term policy to focus its activities in designing, sourcing and marketing of children's products. The disposals were completed when control of the manufacturing operations passed to the acquirer.

The combined results of the discontinued operations included in the consolidated statements of comprehensive income are set out below:

	For the period from January 1, 2008 to August 14, 2008	For the period from August 15, 2008 to October 15, 2008
	RMB'000	RMB'000
(Loss) profit for the year from discontinued operations		
Revenue	80,631	1,417
Share of profits of associates	1,727	-
Other income	104	-
	82,462	1,417
Expenses	(89,200)	(1,674)
Loss before tax	(6,738)	(257)
Attributable income tax expense	(140)	(4)
	(6,878)	(261)
Gain on disposal of subsidiaries (note 9)	-	12,879
Gain on disposal of an associate (note 9)	-	429
	-	13,308
(Loss) profit for the period from discontinued operations (attributable to owners of Shanghai Boshiwa)	(6,878)	13,047

24. INVENTORIES

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Raw materials	3,842	3,310	3,428
Finished goods and merchandise	85,445	145,476	220,963
	89,287	148,786	224,391

25. TRADE AND OTHER RECEIVABLES

	At December 31, 2008	At December 31, 2009	At June 30, 2010
	RMB'000	RMB'000	RMB'000
Trade receivables	94,927	274,484	311,833
Less: Allowance for doubtful debts	(1,433)	(3,436)	(3,436)
	93,494	271,048	308,397
Notes receivable	29,895	-	-
Advance to suppliers	3,816	19,596	48,048
Other receivables	38,798	8,068	10,773
Less: Allowance for other receivables	(374)	(374)	(374)
	165,629	298,338	366,844

All receivables are expected by the management to be recovered within the next 12 months from the end of each reporting period.

The Group allows a credit period ranging from 0 to 180 days to its customers. The aging analysis of trade receivables and notes receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period is as follows:

	At December 31, 2008	At December 31, 2009	At June 30, 2010
	RMB'000	RMB'000	RMB'000
Age			
0 to 30 days	84,807	100,649	96,912
31 to 90 days	12,571	98,837	134,535
91 to 180 days	20,031	55,777	59,271
Over 180 days	5,980	15,785	17,679
	123,389	271,048	308,397

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB6,430,000 and RMB15,789,000 and RMB20,864,000 as at December 31, 2008 and 2009 and as at June 30, 2010 which are past due for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	At December 31, 2008	At December 31, 2009	At June 30, 2010
	RMB'000	RMB'000	RMB'000
Age			
90 to 180 days	450	4	3,185
Over 180 days	5,980	15,785	17,679
	6,430	15,789	20,864

Other receivables mainly represented certain lease deposits, which were unsecured, non-interest bearing and to be settled on demand. As at December 31, 2008, other receivables also included the consideration receivable on disposal of subsidiaries.

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the management believe that no further allowance is required.

Movement in the allowance for doubtful debts:

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Balance at beginning of the period/year	2,873	1,807	3,810
(Decrease) increase in allowance recognized in consolidated statement of comprehensive income	(1,066)	2,003	-
Balance at end of the period/year	1,807	3,810	3,810

The age of notes receivable at December 31, 2008 was within 180 days. The recoverability risk of notes receivable is limited and all the note receivables were discounted and settled within the due dates.

26. AMOUNT DUE FROM/TO A SHAREHOLDER

Pursuant to a Group Reorganization, Great Dragon become the Group's holding company on August 15, 2008.

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amount due from Great Dragon	542	1,029	1,272
Amount due to Great Dragon	-	680	-

The amounts were non-trade in nature, interest-free and unsecured, and repayable on demand. The maximum amount due from Great Dragon outstanding during the period from August 15, 2008 to December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 was RMB542,000, RMB1,029,000 and RMB1,272,000, respectively. Advances made to this shareholder during the period from August 15, 2008 to December 31, 2008, the year ended December 31, 2009 and the six months ended June 30, 2010 amounted to RMB542,000, RMB487,000 and RMB243,000, respectively. The above balance has been settled before September 2010.

Advance received from the shareholder during the year ended December 31, 2009 amounted to RMB680,000.

27. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances and cash denominated in RMB comprise cash held by the Group and current bank deposits which carry interest at market rates of 0.36% per annum at December 31, 2008 and 2009 and June 30, 2010. Bank balances and cash denominated in US$ comprise current bank deposits which carry interest at market rates of 0.05%, 0.01% and 0.01% per annum at December 31, 2008 and 2009 and June 30, 2010, respectively. Bank balances and cash denominated in HK$ comprise current bank deposits which carry interest at market rates of 0.01% per annum at December 31, 2009 and June 30, 2010 respectively. Bank balances and cash denominated in JP¥ comprise current bank deposits which carry interests at market rate of 0.01% per annum at June 30, 2010. Bank balances and cash and pledged bank deposits denominated in US$, HK$ and JP¥ are set out below:

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank balances and cash and pledged bank deposits denominated in:			
HK$	-	2,807	90
US$	3	704	169
JP¥	-	-	186

The pledged bank deposits were pledged to secure the short-term bank borrowings.

Certain bank balances and cash and pledged bank deposits of approximately RMB32,918,000, RMB87,251,000 and RMB156,883,000 at December 31, 2008, 2009 and June 30, 2010, respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is controlled by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

28. TRADE AND OTHER PAYABLES

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables	21,858	77,303	38,031
Value-added tax payables	4,405	25,868	23,001
Payroll payables	2,967	4,379	5,953
Other payables	4,762	8,156	42,480
	33,992	115,706	109,465

The following is an aged analysis of trade payables at the end of each reporting period:

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Age			
0 to 90 days	18,924	76,397	35,843
91 to 180 days	1,709	649	1,058
Over 180 days	1,225	257	1,130
	21,858	77,303	38,031

The trade payable comprises amounts outstanding for the trade purchases. The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

29. SHORT-TERM BORROWINGS

		At December 31,		At June 30,
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
Short-term bank loans				
—secured	(1)	65,000	191,200	150,000
—unsecured		-	-	10,000
—factored notes receivable	(2)	29,895	-	-
Loans from a related party	(3)	20,000	-	-
Loans from BOCOM Holdings	(4)	-	72,600	95,963
		114,895	263,800	255,963

Notes:

(1) The short-term bank loans were secured (see notes 16, 18 and 19) and the weighted average effective interest rate of the Group's fixed-rate bank borrowings was equal to contracted interest rate at 6.14%, 4.64% and 4.84% per annum at December 31, 2008 and 2009 and June 30, 2010, respectively. All the bank loans have contractual maturity within one year from the end of the reporting period.

(2) At December 31, 2008, the Group factored notes receivable of approximately RMB29,895,000 to a bank with full recourse. The finance charges in relation to the factorization of the notes receivable were borne by the Group. The related bank loans of approximately RMB29,895,000 were classified as current liabilities with a maturity period of not exceeding 6 months, at weighted average interest rate of 8.18% per annum.

(3) The loans were obtained from Shanghai King Lion Co., Ltd., which is controlled by Mr. Wang Shi Ming, one of the directors of Shanghai Boshiwa. The shareholders of Shanghai King Lion Co., Ltd. are also the ultimate shareholders of Hambo Group Limited. The amounts were unsecured with a fixed interest rate of 8% per annum at December 31, 2008 with a maturity period of not exceeding 1 year. Loans received from the entity were RMB20,000,000 and RMB nil during the period from August 15, 2008 to December 31, 2008 and year ended December 31, 2009, and RMB5,000,000 and RMB20,000,000 were paid back during the period from August 15, 2008 to December 31, 2008 and year ended December 31, 2009, respectively.

(4) On December 10, 2009, BOCOM International Holdings Company Limited ("BOCOM Holdings"), entered into a loan agreement with the Company to provide a loan in an aggregate amount of HK$110 million to the Company at an interest rate of 15% per annum. As at December 31, 2009 and June 30, 2010, the Company had drawn down HK$82,500,000 (equivalent to approximately RMB72,600,000) and all the HK$110,000,000 (equivalent to approximately RMB95,963,000), respectively, from BOCOM Holdings for working capital and other general corporate purpose. The Company is required to repay the loan on or before: (i) the expiry of 7 business days from the Listing Date; or (ii) the expiry of 12 months from December 10, 2009, whichever is the earlier. In connection with this loan, (i) on March 9, 2010, Joyork International Limited (a limited liability company which acquired 41.71% of equity interest in Great Dragon on February 5, 2010) executed a share mortgage of approximately 25% of ordinary shares in Great Dragon and pledge of any loans made by Joyork International Limited to Great Dragon in favor of BOCOM Holdings and (ii) on December 10, 2009, Kingman Holdings executed a share mortgage of approximately 30% of ordinary shares in Pacific Leader and pledge of any loans made by Kingman Holdings to Pacific Leader in favor of BOCOM Holdings. The above mortgages have been released on September 7, 2010 and September 9, 2010, respectively.

30. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital at December 31, 2008 represented fully paid and registered capital of Shanghai Boshiwa, the then holding company of the group entities.

The share capital at December 31, 2009 and June 30, 2010 represented the issued and fully paid capital of ordinary shares of the Company.

	Number of shares	Amount
		HK$'000
Authorized:		
Ordinary shares of HK$ 0.0005 each		
200,000,000 ordinary shares of HK$0.0005 each	200,000,000	100
Issued and fully paid:		
Ordinary shares of HK$0.0005 each		
		Amount
		HK$
Issued on March 24, 2009, date of incorporation of Boshiwa International Holding Limited	100,000	50
Issued on September 3, 2009	100,000	50
Balance at December 31, 2009 and June 30, 2010	200,000	100
		RMB'000
Presented as RMB:		
Ordinary shares		1

31. DISPOSALS OF SUBSIDIARIES

On August 22, 2008, Shanghai Boshiwa disposed of the equity interest of Shanghai Ronghua and Shanghai Rongli to an independent third party for a consideration of approximately RMB1,400,000 and RMB9,287,000, respectively.

On September 16, 2008 and October 15, 2008, Shanghai Boshiwa disposed of the equity interest of Rongchen Knitting (including Shanghai Rongbai, a subsidiary of Rongchen Knitting) and Driver Training (including an associate of Driver Training) to an independent third party for a consideration of approximately RMB2,210,000 and RMB10,200,000, respectively.

The considerations for the disposals were negotiated by the Company and third party buyers with reference to the fair value of these subsidiaries' net assets as at December 31, 2007. The assets and liabilities of these subsidiaries at August 14, 2008 (immediately preceding the date of change of controlling shareholders) had been grouped as assets classified as held for sale and liabilities associated with assets classified as held for sale attributable to discontinued operations in the accountant's report of the financial information of the Group for the Predecessor Track Record Periods.

As a result, the disposed subsidiaries mentioned above no longer contributed to the business of the Group for the Relevant Periods and their net assets were derecognized upon the date of disposal.

The summary of the aggregate net assets of the disposed subsidiaries at the dates of disposal were as follows:

	At dates of disposal
	RMB'000
Net assets disposed of:	
Property, plant and equipment	43,369
Prepaid lease payments	1,548
Deferred tax assets	1,310
Investment in an associate	16,564
Inventories	62,957
Trade and other receivables	25,516
Amounts due from group companies	26,373
Bank balances and cash	8,240
Trade and other payables	(54,559)
Amounts due to group companies	(107,967)
Tax liabilities	(281)
Dividends payable to non-controlling interests —declared before August 15, 2008	(767)
Dividends payable to non-controlling interests —declared after August 15, 2008	(3,532)
Non-controlling interests	(8,553)
Net assets disposed of	10,218
Total consideration	23,097
Net assets disposed of	(10,218)
Gain on disposal	12,879
Consideration satisfied by:	
Cash received in 2008	10,397
Cash received in 2009(*)	12,700
	23,097
Consideration received in 2008	10,397
Less: cash and cash equivalents disposed	(8,240)
Net cash inflow arising on disposal	2,157

The disposed subsidiaries did not contribute significantly to the Group's cash flows, revenue and profit from operations during the Relevant Periods prior to disposal.

* The amount was included in the other receivables as at December 31, 2008, unsecured, non-interest bearing and to be settled on demand.

32. NON-CASH TRANSACTIONS

The factored notes receivable of approximately RMB29,910,000 and RMB29,895,000 were offset against the corresponding bank borrowings upon maturity during the period from August 15, 2008 to December 31, 2008 and the year ended December 31, 2009, respectively.

The consideration for the transfer of 100% equity interest in Shanghai Boshiwa from Great Dragon to Pacific Leader upon Group Restructuring of US$18,000,000 (equivalent to RMB140,480,000) was settled by issuing the ordinary shares of the Company in 2009.

During the six months ended June 30, 2010, RMB38,610,000 merchandise were received from certain suppliers to settle the loans advanced to them by Shanghai Boshiwa in 2009.

Shanghai Boshiwa obtained the control over and the entire beneficial economic interest in Shanghai Desheng from June 28, 2010 through Structure Contracts as set out in note 1.

The amount due to Great Dragon of RMB680,000 was waived by Great Dragon during the six months ended June 30, 2010 and the waiver was recognized as capital surplus.

33. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum leases payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	2,670	8,286	23,516
In the second to fifth years inclusive	22	23,066	91,302
After five years	-	4,872	15,306
	2,692	36,224	130,124

Operating lease payments represented rentals payable by the Group for certain of its stores, sales counters and a warehouse. Certain of the Group's sales counters are required to pay rentals at a certain percentage of sales subject to a minimum rent. Except for the lease of the Group's warehouse with a term of ten years, leases are negotiated for a term ranging from one to six years.

The Group as lessor

Property rental income earned during the period from August 15, 2008 to December 31, 2008, the year ended December 31, 2009, and six months ended June 30, 2009 and 2010 was approximately RMB178,000, RMB570,000, RMB281,000 (unaudited) and RMB292,000, respectively. The Group's investment property is held for a fixed monthly rental purposes with a lease term of ten years which will expire in 2014.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments.

	At December 31,		At June 30,
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	570	593	605
In the second to fifth year inclusive	2,517	2,095	1,791
After five years	171	-	-
	3,258	2,688	2,396

34. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute 22% of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

During the Relevant Periods, the total amounts contributed by the Group to the scheme and charged to the consolidated statements of comprehensive income represent contribution payable to the scheme by the Group at the rate specified in the rules of the scheme and are as follows:

	For the period from August 15, 2008 to December 31, 2008			Year ended December 31, 2009	Six months ended June 30,	
	Discontinued operations	Continuing operations	Total		2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amount contributed and charged to the consolidated statements of comprehensive income	-	327	327	1,861	1,042	1,804

As at December 31, 2008, 2009 and June 30, 2010, the contributions due that had not been paid over to the scheme were RMB429,000, RMB80,000 and RMB170,000, respectively.

35. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 26, 29 and 32 the Group had no other transactions with related parties during the Relevant Periods.

The five highest paid individuals in note 12 are the management members. The remuneration of directors and key management members for the Relevant Periods is set out in note 12.

36. CONTINGENCIES

Prior to the introduction of Notice on Relevant Issues Concerning Approval Administration on Sale of Products by Foreign Invested Enterprises via Internet Websites or Automats issued by the General Office of the Ministry of Commerce of the PRC (the "MOFCOM") on August 19, 2010, the MOFCOM's approval was required for a foreign invested enterprise or an enterprise established by a foreign invested enterprise to carry out online sales and an application for such approval should be made to the MOFCOM through its provincial counterparts.

The Group had not obtained such approval and ceased such business on June 28, 2010. According to relevant PRC regulations, relevant government authorities have the discretion to take actions against the Group, including confiscation of illegal gains (representing net revenue from online sales after deducting the purchase cost of the merchandises sold through online business) of RMB233,000, RMB2,290,000 and RMB3,161,000 for the period from August 15, 2008 to December 31, 2008, for the year ended December 31, 2009 and for the six months ended June 30, 2010 respectively and imposing a fine no more than RMB500,000 for each period/year.

The Group has disclosed this non-compliance to the Shanghai Commerce Committee and has not received any notification of penalty. No provision has been made by the Group for the Relevant

Periods for confiscation of gains and fines as the probability that the relevant government authorities taking actions against the Group and the amount of obligation cannot be estimated with sufficient reliability according to the legal opinion.

37. SUBSEQUENT EVENTS

Pursuant to the written resolutions of all shareholders' meeting dated September 8, 2010, the authorized share capital of the Company was increased from HK$100,000 divided into 200,000,000 Shares of HK$0.0005 each to HK$100,000,000 divided into 200,000,000,000 Shares of HK$0.0005 each by the creation of 199,800,000,000 Shares of HK$0.0005 each, which shall rank pari passu in all respects with the Shares in issue as at the date of passing of this written resolutions.

On September 8, 2010, Great Dragon transferred 74,660 shares, 24,580 shares, 19,440 shares, 80,320 shares and 1,000 shares it held in the Company to each of TB International Limited, Hambo Group Limited, Fame Trend Investment Limited, Joyork International Limited and BOCOM Holdings, and Great Dragon ceased to have any interest in the Company.

F. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The Company's statements of financial position as at December 31, 2009 and June 30, 2010 are as follow:

	As at December 31 2009	As at June 30, 2010
	RMB'000	RMB'000
Non-current Assets		
Investment in a subsidiary	12,120	20,986
Amount due from a subsidiary	184,007	323,481
	196,127	344,467
Current Assets		
Dividend receivable	-	232,478
Bank balances and cash	55	72
Current Assets	55	232,550
Current Liabilities		
Dividend payable	-	209,736
Short-term loans	72,600	95,963
Other payables	597	18,444
Current Liabilities	73,197	324,143
Net Current Liabilities	(73,142)	(91,593)
Total Assets Less Current Liabilities	122,985	252,874
Capital and reserves		
Share capital	1	1
Capital surplus	122,906	243,519
(Loss) retained earning	78	9,354
Total equity attributable to owner of the Company	122,985	252,874

FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31, 2009	As at June 30, 2010
	RMB'000	RMB'000
Financial assets:		
Loan and receivables (including cash and cash equivalents)	184,062	323,553
Financial liabilities:		
Liabilities measured at amortized cost	73,197	324,143

Foreign currency risk management

The primary economic environment which most of the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, certain bank balances, sales and purchases of the Group are denominated in Hong Kong Dollars ("HK$"), which are currencies other than the functional currency of the relevant group entities and expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated bank balances and trade receivables at the end of the year/period are as follows:

	At December 31, 2009	At June 30, 2010
	RMB'000	RMB'000
Assets		
HK$	184,062	323,553
Liabilities		
HK$	73,197	114,407

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 5% change in RMB against HK$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and adjusts their value at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year/period.

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
HK$ impact	3,660	5,720

The Company closely monitors the effects of changes in the foreign exchange rates on the Company's currency risk exposures. The Company currently does not take any measures to hedge currency risk exposures.

Credit risk management

The Company has concentration of credit risk on amount due from a subsidiary. The management of the Company considers that the Company's credit risk is manageable as the Company has control over its subsidiary and the Group has reported profit throughout the Relevant Periods.

G. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company at December 31, 2008, 2009 and June 30, 2010 was Great Dragon, a company which is incorporated in the BVI.

H. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2010.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong