The following is the text of a report on our Company for the year ended December 31, 2007 and for the period from January 1, 2008 to August 14, 2008, 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 "Shanghai Boshiwa Financial Information") relating to the business of Boshiwa International Holding Limited (the "Company") and its subsidiaries (together with the Company hereinafter collectively referred to as the "Group") for the year ended December 31, 2007 and the period from January 1, 2008 to August 14, 2008 (the date prior to change in controlling shareholders) (the "Predecessor Track Record 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 Shanghai Boshiwa Financial Information is prepared to present the historical financial information of the Group's business during the Predecessor Track Record Periods including those carried out by Shanghai Rongchen Boshiwa (Group) Co., Ltd. ("Shanghai Boshiwa") and its subsidiaries (herein collectively referred to as the "Shanghai Boshiwa Group").

The subsidiaries of Shanghai Boshiwa during the Predecessor Track Record Periods are as follows:

Name of subsidiary	Paid-in and registered capital/date of establishment	Attributable equity interest held by Shanghai Boshiwa at December 31, 2007	Attributable equity interest held by Shanghai Boshiwa at August 14, 2008	Principal activities
Shanghai Rongchen Information & Consulting Co., Ltd. 上海榮臣信息諮詢有限公司 ("Shanghai Rongchen")	RMB 1,000,000 September 6, 2004	96%	96%	Inactive
Shanghai Ronghua Textile Dyeing and Finishing Garment Limited 上海榮華紡織染整製衣有限公司 ("Shanghai Ronghua")	US$ 754,000 September 12, 1991	60%	60%	Textile knitting and dyeing services for medium and high-end market
Shanghai Rongli Textile Garment Limited 上海榮麗紡織製衣服飾有限公司 ("Shanghai Rongli")	US$ 1,680,000 March 16, 1993	60%	60%	Textile knitting and OEM services
Shanghai Rongchen Knitting Limited 上海榮臣針織有限公司 ("Rongchen Knitting")	RMB 2,000,000 June 7, 2004	75%	75%	Textile knitting and OEM services
Shanghai Rongchen Motor Vehicle Driver Training Limited 上海榮臣機動車駕駛員培訓有限公司 ("Driver Training")	RMB 17,000,000 January 28, 1994	60%	60%	Driver training services
Shanghai Rongbai Trading Limited 上海榮佰貿易有限公司 ("Shanghai Rongbai")	RMB 1,000,000 March 27, 2007	75%	75%	Garment trading

The subsidiaries are limited liability companies established in the PRC.

Shanghai Boshiwa and its subsidiaries have adopted December 31 as their financial year end date.

The statutory financial statements of Shanghai Boshiwa and its subsidiaries for the year ended December 31, 2007 were audited by 立信會計師事務所有限公司 (Shu Lun Pan Certified Public Accountants Co., Ltd.), 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. No statutory financial statements for the period from January 1, 2008 to August 14, 2008 were prepared for Shanghai Boshiwa and its subsidiaries as there is no such statutory requirement.

For the purpose of this report, the directors of Shanghai Boshiwa have prepared consolidated financial statements of Shanghai Boshiwa and its subsidiaries for the year ended December 31, 2007 and the period from January 1, 2008 to August 14, 2008 (the "Shanghai Boshiwa Underlying Financial Statements"), in accordance with International Financial Reporting Standards ("IFRSs"). We have carried out an independent audit on the Shanghai Boshiwa Underlying Financial Statements in accordance with International Standards on Auditing.

For the purpose of this report, we have examined the Shanghai Boshiwa 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 Shanghai Boshiwa Financial Information for the Predecessor Track Record Periods set out in this report has been prepared from the Shanghai Boshiwa Underlying Financial Statements. No adjustments were considered necessary to the Boshiwa Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Shanghai Boshiwa Underlying Financial Statements are the responsibility of the directors of Shanghai Boshiwa who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Shanghai Boshiwa Financial Information set out in this report from the Shanghai Boshiwa Underlying Financial Statements, to form an independent opinion on the Shanghai Boshiwa 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 Shanghai Boshiwa Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2007 and August 14, 2008 and of the consolidated results and consolidated cash flows of the Group for the Predecessor Track Record Periods.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	NOTES	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	8	118,269	93,505	211,774	80,631	110,464	191,095
Cost of sales		(97,435)	(44,245)	(141,680)	(77,845)	(38,708)	(116,553)
Gross profit		20,834	49,260	70,094	2,786	71,756	74,542
Other income	9	192	1,043	1,235	104	234	338
Distribution and selling expenses		(859)	(25,453)	(26,312)	(737)	(25,254)	(25,991)
Administrative and general expenses		(9,473)	(11,815)	(21,288)	(10,118)	(7,357)	(17,475)
Finance costs	10	(176)	(2,796)	(2,972)	(500)	(3,704)	(4,204)
Share of profits of associates		2,632	-	2,632	1,727	-	1,727
Profit (loss) before tax	11	13,150	10,239	23,389	(6,738)	35,675	28,937
Income tax expense	13	(2,409)	(3,197)	(5,606)	(140)	(9,718)	(9,858)
Profit (loss) after tax for the year/period and total comprehensive income for the year/period		10,741	7,042	17,783	(6,878)	25,957	19,079
Attributable to:							
Owners of Shanghai Boshiwa				14,230			22,988
Minority interests				3,553			(3,909)
				17,783			19,079
Earnings per share—basic (RMB cents per share)	14			1.34			2.16

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2007	At August 14, 2008
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	16	70,006	26,424
Prepaid lease payments—non-current	17	3,263	1,673
Investment property	18	3,541	3,460
Intangible assets	19	10,469	10,469
Investments in associates	20	18,163	-
Deferred tax assets	21	1,376	146
		106,818	42,172
Current assets			
Inventories	23	89,690	82,016
Trade and other receivables	24	61,867	61,878
Prepaid lease payments—current	17	131	87
Amount due from an associate	25	3,019	5,355
Bank balances and cash	26	27,750	2,174
		182,457	151,510
Assets classified as held for sale	22	-	160,374
		182,457	311,884
Current liabilities			
Trade and other payables	27	47,970	16,035
Tax liabilities		2,474	8,018
Dividends payable		10,118	29,034
Short-term borrowings	28	50,850	68,410
Amounts due to related parties	29	10,000	23,746
		121,412	145,243
Liabilities associated with assets classified as held for sale	22	-	55,607
		121,412	200,850
Net current assets		61,045	111,034
Total assets less current liabilities		167,863	153,206
Capital and reserves			
Paid-in capital	30	99,463	99,463
Capital and other reserves		12,020	12,020
Retained earnings		39,677	29,598
Total equity attributable to owners of Shanghai Boshiwa		151,160	141,081
Minority interests		16,703	12,125
Total equity		167,863	153,206

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Shanghai Boshiwa						
	Paid-in capital	Capital reserves	Statutory surplus reserve	Retained earnings	Total	Minority interests	Total
	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2007	99,463	1,064	9,671	26,732	136,930	13,150	150,080
Profit and total comprehensive income for the year	-	-	-	14,230	14,230	3,553	17,783
Appropriation to statutory surplus reserve	-		1,285	(1,285)	-	-	-
At December 31, 2007	99,463	1,064	10,956	39,677	151,160	16,703	167,863
Profit and total comprehensive income for the period	-	-	-	22,988	22,988	(3,909)	19,079
Dividends declared	-	-	-	(33,067)	(33,067)	(669)	(33,736)
At August 14, 2008	99,463	1,064	10,956	29,598	141,081	12,125	153,206

Notes:

(a) Capital reserves

Capital reserve represents the difference between the registered capital and the funds contributed by the shareholders of Shanghai Boshiwa at the time when Shanghai Boshiwa was established.

(b) 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 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

	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
	RMB'000	RMB'000
Operating activities		
Profit before tax	23,389	28,937
Adjustments for:		
Finance costs	2,972	4,204
Investment income	(626)	(393)
Loss on disposal of property, plant and equipment	162	32
Impairment loss recognized in respect of trade and other receivables	1,751	1,082
Depreciation of property, plant and equipment and investment property	8,655	5,922
Release of prepaid lease payments	131	86
Write-down of inventories	206	2,357
Share of profits of associates	(2,632)	(1,727)
Operating cash flows before movements in working capital	34,008	40,500
Increase in inventories	(22,583)	(57,640)
Increase in trade and other receivables	(21,751)	(26,609)
Increase in trade and other payables	4,103	22,624
Cash used in operations	(6,223)	(21,125)
Interest paid	(2,972)	(4,204)
Income taxes paid	(5,018)	(4,113)
Net cash used in operating activities	(14,213)	(29,442)
Investing activities		
Interest received	99	50
Rentals received from investment property	527	343
Proceeds from disposals of property, plant and equipment	3,221	339
Payments for acquisition of property, plant and equipment	(7,243)	(5,999)
Dividends received from associates	901	2,456
Increase in amount due from an associate	(1,287)	(2,336)
Net cash used in investing activities	(3,782)	(5,147)
Financing activities		
Proceeds from borrowing	49,850	67,410
Repayment of borrowings	(39,000)	(49,850)
Dividends paid	(2,872)	(14,053)
Loans from related parties	10,000	43,746
Repayment of loans from related parties	-	(30,000)
Net cash generated from financing activities	17,978	17,253
Decrease in cash and cash equivalents	(17)	(17,336)
Cash and cash equivalents at beginning of the year/period	27,767	27,750
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	27,750	10,414

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Shanghai Boshiwa is a limited company established in the PRC on July 30, 1997 with an operating period of 30 years. The address of the registered office is No. 550 San Men Road Shanghai, the PRC, and the principal place of business is No. 78 Tai Gu Road, Shanghai Waigaoqiao Free Trade Zone, the PRC. The Shanghai Boshiwa Group was initially formed to manufacture and sell children's apparel and accessory products under the Boshiwa brand, as well as provide OEM services and driver training services.

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

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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 11, 2009.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the Shanghai Boshiwa Financial Information has been prepared on the basis as if the Company has always been the holding company of the Group throughout the Predecessor Track Record Periods.

The consolidated statements of financial position of the Group as at December 31, 2007 and August 14, 2008 have 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 those reporting dates.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Shanghai Boshiwa Financial Information for the Predecessor Track Record 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, 2009 except for IAS 39 & IFRS 7 (Amendments) Reclassification of Financial Assets, which are effective from July 1, 2008 but should not be applied before July 1, 2008 during the Predecessor Track Record Periods.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IFRSs (Amendments)	Improvements to IFRSs May 2010[3]
IAS 24 (Revised)	Related Party Disclosures[7]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Right Issues[5]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[6]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[8]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[6]

Notes:

(1) Effective for annual periods beginning on or after July 1, 2009
(2) Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate
(3) Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate
(4) Effective for annual periods beginning on or after January 1, 2010
(5) Effective for annual periods beginning on or after February 1, 2010
(6) Effective for annual periods beginning on or after July 1, 2010
(7) Effective for annual periods beginning on or after January 1, 2011
(8) 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 Shanghai Boshiwa Financial Information. The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. IAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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 Shanghai Boshiwa 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 Predecessor Track Record Periods.

In addition, the Shanghai Boshiwa 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 Shanghai Boshiwa Financial Information incorporates the financial information of Shanghai Boshiwa and entities controlled by Shanghai Boshiwa (its subsidiaries) made up to December 31, 2007 and August 14, 2008. Control is achieved where Shanghai Boshiwa 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 Predecessor Track Record 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.

Minority interests in the net assets of subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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 Shanghai Boshiwa 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 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from goods sold and services provided 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.

Revenue from OEM services and driver training services is recognized when the services are provided.

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 term 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.

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 trade and other receivables, amount due from an associate 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.

Loans and receivables, 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, short-term borrowings and amounts due to related parties 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 Predecessor Track Record 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 assets

As at December 31, 2007 and August 14, 2008, a total deferred tax asset of RMB 2,292,000 and RMB 1,636,000 respectively in relation to write-down of inventories and doubtful debts 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.

As at August 14, 2008, no deferred tax asset has been recognized on the tax losses of RMB4,804,000 due to the unpredictability of future profit streams. As at August 14, 2008, temporary differences arising from write-down of inventories at RMB2,357,000; and doubtful debts of RMB804,000 for the subsidiaries to be disposed of have not been recognized as deferred tax assets due to the unpredictability of future profit streams as at August 14, 2008.

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, 2007 and August 14, 2008 and no impairment loss was recognized during the Predecessor Track Record Periods. Details of the impairment loss assessment are set out in note 19.

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 Predecessor Track Record Periods.

The capital structure of the Group consists of short-term borrowings (net of cash and cash equivalents) and equity attributable to the owners of Shanghai Boshiwa, comprising paid-in 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, 2007	At August 14, 2008
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	86,766	92,311
Financial liabilities:		
Liabilities measured at amortized costs	115,774	192,153

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from an associate, bank balances and cash, trade and other payables, dividends payable, short-term borrowings and amounts due to related parties. 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 Predecessor Track Record 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 Predecessor Track Record 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, sales and purchases of the Group are denominated in United States Dollars ("US$") and Japanese Yen ("JP¥"), 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 and trade receivables at the end of the year/period are as follows:

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Assets		
JP¥	51	-
US$	3,130	297

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against JP¥ and US$. 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/period 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
JP¥ impact	2	-
US$ impact	114	11

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. 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, 2007 and August 14, 2008 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 have 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 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 credit risk on amount due from an associate is limited as management of the Group is able to access to the counterparty's financial statements periodically to ensure that follow up actions are taken when any recoverability issues come up.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because approximately 92% and 98% of the bank balances as at December 31, 2007 and August 14, 2008, respectively, were deposited with two of the five biggest state-owned banks in the PRC.

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, 2007		At August 14, 2008	
	TR	**TR**	**TR**	**TR**
	RMB'000	**%**	**RMB'000**	**%**
A	10,000	18	*	*
B	8,038	15	7,605	12
C	*	*	12,918	20

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

The Group has concentration of credit risk as at December 31, 2007 and August 14, 2008 as 33% and 32%, respectively, of the total TR were due from two 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, 2007 and August 14, 2008, the Group has available unutilized short-term bank loan facilities of approximately RMB 500,000 and RMB 1,500,000 which will expire on August 24, 2008 and June 11, 2011, respectively.

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, 2007					
Trade and other payables	-	37,034	7,772	44,806	44,806
Short-term borrowings—fixed rate borrowings	6.15%	767	51,670	52,437	50,850
Amounts due to related parties	-	10,000	-	10,000	10,000
Dividends payable	-	10,118	-	10,118	10,118
		57,919	59,442	117,361	115,774
As at August 14, 2008					
Trade and other payables	-	53,409	16,787	70,196	70,196
Short-term borrowings					
—fixed rate	6.94%	568	39,422	39,990	38,500
—factored notes receivable	8.20%	4,713	26,002	30,715	29,910
Amounts due to related parties		22,546	1,200	23,746	23,746
Dividends payable		29,801	-	29,801	29,801
		111,037	83,411	194,448	192,153

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 Shanghai Boshiwa 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 Predecessor Track Record 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 year/period 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 resources 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/service categories are as follows:

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from						
Children's apparel and accessories	-	93,501	93,501	-	102,711	102,711
Other children's products	-	-	-	-	7,740	7,740
OEM services	81,681	-	81,681	35,363	-	35,363
Driver training services	36,588	-	36,588	30,016	-	30,016
Selling raw materials	-	-	-	15,252	-	15,252
Others	-	4	4	-	13	13
Total revenue	118,269	93,505	211,774	80,631	110,464	191,095

Information about major customer

There is no customer whose revenue accounts for 10% or more of the Group's revenue during each year/period.

9. OTHER INCOME

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment income:						
Interest on bank deposits	64	35	99	21	29	50
Rental income from investment property	-	527	527	-	343	343
	64	562	626	21	372	393
Other gains and losses:						
Loss on disposal of property, plant and equipment	(162)	-	(162)	(32)	-	(32)
Net foreign exchange losses	(24)	(9)	(33)	(6)	(46)	(52)
Government grants	325	628	953	141	-	141
Others	(11)	(138)	(149)	(20)	(92)	(112)
	128	481	609	83	(138)	(55)
	192	1,043	1,235	104	234	338

10. FINANCE COSTS

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on:						
—borrowings wholly repayable within five years	176	2,796	2,972	500	3,704	4,204

11. PROFIT (LOSS) BEFORE TAX

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) before tax has been arrived at after charging (crediting):						
Directors' remuneration, including retirement benefit schemes contributions (note 12)	-	684	684	-	528	528
Other staff costs	25,259	6,601	31,860	5,904	5,900	11,804
Other staff's retirement benefit scheme contributions	1,808	1,034	2,842	1,442	959	2,401
Total staff costs	27,067	8,319	35,386	7,346	7,387	14,733
Allowance for doubtful debts	285	1,466	1,751	804	278	1,082
Cost of inventories recognized as expenses	97,435	44,245	141,680	77,845	38,708	116,553
Write-down of inventories	206	-	206	2,357	-	2,357
Depreciation of property, plant and equipment	5,282	3,252	8,534	3,714	2,127	5,841
Depreciation of investment property	-	121	121	-	81	81
Minimum operating lease rentals in respect of rented premises	729	1,638	2,367	528	1,848	2,376
Contingent operating lease rentals (mainly including concessionaire fees) in respect of rented premises	-	10,461	10,461	-	9,422	9,422
Amortization of prepaid lease payments	45	86	131	29	57	86
Research expenses	-	1,441	1,441	-	1,111	1,111
Auditors' remuneration	165	220	385	145	-	145
Gross rental income less direct operating expenses from investment property	-	(527)	(527)	-	(343)	(343)

12. DIRECTORS' AND EMPLOYEES' REMUNERATION

Details of the emoluments paid to the directors of the Company for the Predecessor Track Record Periods are as follows:

	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
	RMB'000	RMB'000
Directors		
—salaries and other benefits	650	500
—contributions to retirement benefit scheme	34	28
	684	528

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

	Year ended December 31, 2007		
	Salaries and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000
Mr. Zhong Zheng Yong	400	17	417
Ms. Chen Li Ping	250	17	267
	650	34	684

	For the period from January 1, 2008 to August 14, 2008		
	Salaries and other benefits	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000
Mr. Zhong Zheng Yong	300	14	314
Ms. Chen Li Ping	200	14	214
	500	28	528

The five highest paid individuals include two directors of the Company for the year ended December 31, 2007 and the period from January 1, 2008 to August 14, 2008. Details of whose emoluments are set out above. The emoluments of the remaining three individuals during the Predecessor Track Record Periods were as follows:

	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
	RMB'000	RMB'000
Employees		
—salaries and other benefits	250	160
—contributions to retirement benefit scheme	28	16
	278	176

During the Predecessor Track Record 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 Predecessor Track Record Periods. The annual emoluments of each of the five highest paid individuals during the Predecessor Track Record Periods were below HK$1,000,000.

Shanghai Boshiwa has not paid any emoluments to those non-executive directors, who were nominated by beneficial equity owners of Shanghai Boshiwa.

13. INCOME TAX EXPENSE

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax:						
PRC Enterprise Income Tax ("EIT")	2,335	3,245	5,580	140	9,798	9,938
Deferred tax charge (credit) (note 21)	74	(48)	26	-	(80)	(80)
Total tax expense	2,409	3,197	5,606	140	9,718	9,858

In year 2007, as foreign-invested manufacturing oriented companies registered in Shanghai old town, the applicable EIT rate for Shanghai Boshiwa and Shanghai Ronghua was 27%; as a foreign invested manufacturing oriented company located in Shanghai Waigaoqiao Free Trade Zone, the applicable EIT rate for Shanghai Rongli was 15%. The applicable EIT rate for Shanghai Rongchen was 33%. 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 as adjusted (the deemed taxation method) in accordance with the relevant tax laws.

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 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 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 Shanghai Boshiwa 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.

The taxation for the Predecessor Track Record Periods is reconciled to profit before taxation as follows:

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) before tax	13,150	10,239	23,389	(6,738)	35,675	28,937
Income tax expense (credit) at PRC income tax rates (2007: 27%; 2008: 25%)	3,550	2,764	6,314	(1,685)	8,918	7,233
Tax effect of expenses not deductible for tax purpose	77	481	558	499	880	1,379
Effect of unused tax losses not recognized as deferred tax assets	-	-	-	1,201	-	1,201
Effect of deductible temporary differences not recognized as deferred tax assets	-	-	-	790	-	790
Effect of different tax rates of subsidiaries	(552)	-	(552)	(551)	-	(551)
Effect of tax calculated based on revenue as a deemed profit basis	(740)	-	(740)	(114)	-	(114)
Effect of change in tax rate	50	319	369	-	-	-
Others	24	(367)	(343)	-	(80)	(80)
Taxation for the year/period	2,409	3,197	5,606	140	9,718	9,858

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Predecessor Track Record Periods is based on the following:

	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
	RMB'000	RMB'000
Profit		
Profit for the year/period attributable to owners of Shanghai Boshiwa for the purpose of basic earnings per share	14,230	22,988
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,062,033,741	1,062,033,741

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

The Group has no potential ordinary shares throughout the Predecessor Track Record Periods.

15. DIVIDENDS

	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
	RMB'000	RMB'000
Dividends declared for the year/period	-	33,067

Pursuant to the resolution of Board of Directors' meeting dated April 28, 2008, Shanghai Boshiwa declared dividends of approximately RMB 33,067,000.

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 January 1, 2007	56,878	35,069	18,138	36,997	2,998	145	150,225
Additions	638	425	1,599	4,420	161	-	7,243
Disposals	-	(9,560)	(243)	(3,629)	(294)	-	(13,726)
At December 31, 2007	57,516	25,934	19,494	37,788	2,865	145	143,742
Additions	-	-	4,017	1,734	-	248	5,999
Transfers	-	-	-	145	-	(145)	-
Disposals	-	(1,198)	(13)	(597)	(241)	-	(2,049)
Reclassified as held for sale (note 22)	(31,906)	(13,180)	(9,226)	(36,285)	(2,624)	(181)	(93,402)
At August 14, 2008	25,610	11,556	14,272	2,785	-	67	54,290
DEPRECIATION							
At January 1, 2007	(15,293)	(28,234)	(11,571)	(18,356)	(2,091)	-	(75,545)
Provided for the year	(1,616)	(1,297)	(1,666)	(3,665)	(290)	-	(8,534)
Eliminated on disposals	-	8,023	218	1,834	268	-	10,343
At December 31, 2007	(16,909)	(21,508)	(13,019)	(20,187)	(2,113)	-	(73,736)
Provided for the period	(1,020)	(413)	(1,516)	(2,734)	(158)	-	(5,841)
Eliminated on disposals	-	1,078	13	519	68	-	1,678
Reclassified as held for sale (note 22)	9,123	10,574	7,947	20,186	2,203	-	50,033
At August 14, 2008	(8,806)	(10,269)	(6,575)	(2,216)	-	-	(27,866)
CARRYING VALUES							
At December 31, 2007	40,607	4,426	6,475	17,601	752	145	70,006
At August 14, 2008	16,804	1,287	7,697	569	-	67	26,424

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%-18%
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 under a lease term of 50 years.

As at December 31, 2007 and August 14, 2008, the Group pledged its buildings with carrying values of approximately RMB 40,607,000 and RMB 16,804,000, respectively to a bank to secure banking facilities granted to Shanghai Boshiwa.

17. PREPAID LEASE PAYMENTS

	Land use rights RMB'000
COST	
At January 1, 2007 and December 31, 2007	4,641
Reclassified as held for sale (note 22)	(2,029)
At August 14, 2008	2,612
RELEASE TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
At January 1, 2007	1,116
Released to the consolidated statement of comprehensive income during the year	131
At December 31, 2007	1,247
Released to the consolidated statement of comprehensive income during the period from January 1, 2008 to August 14, 2008	86
Reclassified as held for sale (note 22)	(481)
At August 14, 2008	852
CARRYING VALUES	
At December 31, 2007	3,394
At August 14, 2008	1,760

	At December 31, 2007 RMB'000	At August 14, 2008 RMB'000
Analyzed for reporting purpose as:		
—Non-current assets	3,263	1,673
—Current assets	131	87
	3,394	1,760

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 rights with a net book value of approximately RMB 3,394,000 and RMB 1,760,000 as at December 31, 2007 and August 14, 2008 was pledged against the short-term borrowings of the Group.

18. INVESTMENT PROPERTY

	Amount RMB'000
Cost	
At January 1, 2007, December 31, 2007 and August 14, 2008	4,035
DEPRECIATION	
At January 1, 2007	373
Provided for the year	121
At December 31, 2007	494
Provided for the period from January 1, 2008 to August 14, 2008	81
At August 14, 2008	575
CARRYING VALUES	
At December 31, 2007	3,541
At August 14, 2008	3,460

The above property is depreciated over its estimated useful lives with the straight-line method, at the rate of 3% per annum. The fair value of the Group's investment property and the land use right where it is located was RMB 14,982,000 and RMB 16,956,000 at December 31, 2007 and August 14, 2008, 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 under a lease term of 50 years. The Group's investment property has been pledged to secure banking facilities as at December 31, 2007 and August 14, 2008.

19. INTANGIBLE ASSETS

	Trademark RMB'000
COST	
At January 1, 2007, December 31, 2007 and August 14, 2008	10,469
IMPAIRMENT	
At January 1, 2007, December 31, 2007 and August 14, 2008	-
CARRYING VALUES	
At January 1, 2007, December 31, 2007 and August 14, 2008	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 December 31, 2007 and August 14, 2008, 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, 2007 and August 14, 2008. 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 assessment 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 inflows 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.

20. INVESTMENT IN ASSOCIATES

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Investments in associates:		
—Unlisted investments in PRC, at cost	15,717	15,717
—Share of post-acquisition profits and other comprehensive income, net of dividends received	2,446	1,717
Less: classified as held for sales	-	(17,434)
	18,163	-

Particulars of Shanghai Boshiwa's associates at the end of each reporting period are as follows:

Name of associate	Place and date of establishment and operation	Fully paid registered capital	Attributable equity interests held by Shanghai Boshiwa at December 31, 2007	Attributable equity interests held by Shanghai Boshiwa at August 14, 2008	Principal activities
Directly held:					
上海榮豐印花裝飾服飾有限公司 (Shanghai Rongfeng Printing Clothing Company Limited ("Rongfeng")) #	PRC March 16, 1993	US$ 600,000	40%	40%	Embroider, knitting
Indirectly held:					
上海星火機動車駕駛員培訓有限公司 (Shanghai Xinghuo Driver Training Company Limited ("Xinghuo")) #	PRC September 27, 2005	RMB 56,530,000	15%	15%	Driver training

Limited liability company

The English name is for identification purpose only.

The summarized financial information in respect of Shanghai Boshiwa's associates is set out below:

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Total assets	78,470	79,796
Total liabilities	7,580	11,365
Net assets	70,890	68,431
The Group's share of net assets of associates	18,163	17,434
Revenue	21,653	14,548
Profit (loss) and total comprehensive income for the year/period	7,110	(2,460)
The Group's share of results and total comprehensive income for the year/period	2,632	1,727

21. DEFERRED TAX

The following is the deferred tax assets/(liabilities) recognized by the Group and movements thereon during the Predecessor Track Record Periods:

	Write-down of inventories	Doubtful debts	Amortization of intangible assets	Unrealized loss in inventories arising from inter-company transaction	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2007	1,669	502	(807)	-	38	1,402
Effect of change in tax rate	(124)	(245)	-	-	-	(369)
Credit (charge) to consolidated statement of comprehensive income for the year	52	438	(87)	-	(60)	343
At December 31, 2007	1,597	695	(894)	-	(22)	1,376
Credit (charge) to consolidated statement of comprehensive income for the period	-	69	(58)	(538)	607	80
Reclassified as held for sale (note 22)	(678)	(47)	-	-	(585)	(1,310)
At August 14, 2008	919	717	(952)	(538)	-	146

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

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Deferred tax assets	1,376	146

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.

The Group has not recognized the deferred tax assets arising from the subsidiaries' unused tax losses of RMB nil and RMB 4,804,000 as at December 31, 2007 and August 14, 2008 due to the unpredictability of future profit streams. Tax losses of RMB nil and RMB 4,804,000 will expire by year 2012.

Temporary differences arising from write-down of inventories at RMB nil and RMB 2,357,000; and doubtful debts of RMB nil and RMB 804,000 for the subsidiaries to be disposed of have not been recognized as deferred tax assets due to the unpredictability of future profit streams as at December 31, 2007 and August 14, 2008.

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

22. DISCONTINUED OPERATIONS

In August 2008, the board of directors of Shanghai Boshiwa approved to dispose of the Group's manufacturing and OEM operations and driver training services, and the management of the Company was in negotiation with potential acquirers on detailed terms. The proposed disposal was consistent with the Group's long-term policy to focus its activities in designing, sourcing and marketing of children's products. The Group was actively seeking buyers for its manufacturing operations and expected to complete the sale in 2008. The Group has not recognized any impairment losses in respect of the manufacturing and OEM operations and driver training services, neither when the operation was reclassified as held for sale nor at the end of the reporting period. The assets and liabilities associated with manufacturing and OEM operations and driver training services have been classified and accounted for at August 14, 2008 as a disposal group held for sale.

Details of the assets classified as held for sale, liabilities associated with assets classified as held for sale as at August 14, 2008 are as follows:

	At August 14, 2008
	RMB'000
Assets:	
Property, plant and equipment	43,369
Prepaid lease payments—net	1,548
Investment in an associate	17,434
Deferred tax assets	1,310
Inventories	62,957
Trade and other receivables	25,516
Bank balances and cash	8,240
	160,374
Liabilities:	
Trade and other payables	54,559
Tax liabilities	281
Dividends payable	767
	55,607
Net assets	104,767

As at August 14, 2008, the buildings and the land use right with an aggregate net book value of approximately RMB 21,746,000 were pledged to secure banking facilities to Shanghai Boshiwa.

23. INVENTORIES

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Raw materials	7,559	9,960
Work-in-progress	24,757	20,651
Finished goods and merchandise	57,374	114,362
Less: Asset classified as held for sale (note 22)	-	(62,957)
	89,690	82,016

24. TRADE AND OTHER RECEIVABLES

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Trade receivables	51,222	66,393
Less: Allowance for doubtful debts	(2,781)	(2,933)
	48,441	63,460
Notes receivable	5,785	-
Advances to suppliers	5,870	10,852
Other receivables	1,771	14,012
Less: Allowance for other receivables	-	(930)
Less: Asset classified as held for sale (note 22)	-	(25,516)
	61,867	61,878

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 of trade receivables and notes receivables (including those classified as held for sale), 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, 2007	At August 14, 2008
	RMB'000	RMB'000
Age		
0 to 30 days	25,635	21,453
31 to 90 days	25,856	16,695
91 to 180 days	1,046	13,244
Over 180 days	1,689	12,068
	54,226	63,460

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB 2,537,000 and RMB 12,383,000 as at December 31, 2007 and August 14, 2008 which are past due for which the Group has not provided for impairment loss.

Aging of past due but not impaired is as follows:

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Overdue by:		
91 to 180 days	848	315
Over 180 days	1,689	12,068
Total	2,537	12,383

Other receivables represented certain lease deposits, which were unsecured, non-interest bearing and to be settled on demand.

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.

Movements in the allowance for doubtful debts:

	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
	RMB'000	RMB'000
Balance at beginning of the year/period	1,030	2,781
Increase in allowance recognized in consolidated statement of comprehensive income	1,751	1,082
Balance at end of the year/period	2,781	3,863
Less: Assets classified as held for sale		(990)
		2,873

25. AMOUNT DUE FROM AN ASSOCIATE

Details of the amount due from an associate of the Shanghai Boshiwa Group are as follows:

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Rongfeng	3,019	5,355

The amount is non-trade nature, interest-free and unsecured, and repayable on demand. The maximum amount outstanding during the year/period was approximately RMB 3,019,000 and RMB 5,355,000, respectively. Advances made to this associate during the year ended December 31, 2007 and the period from January 1, 2008 to August 14, 2008 amounted to RMB 1,287,000 and RMB 2,336,000 respectively.

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances and cash denominated in RMB comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates at 0.72% per annum, at December 31, 2007 and August 14, 2008. Bank balances and cash denominated in US$ and JP¥ comprise current bank deposits which carry interest at market rates of 1.15% and 0.0001% per annum at December 31, 2007 and August 14, 2008, respectively.

Certain bank balances and cash of approximately RMB 27,522,000 and RMB 10,361,000 at December 31, 2007 and August 14, 2008, 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.

27. TRADE AND OTHER PAYABLES

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Trade payables	23,880	37,906
Value-added tax payables	2,975	398
Payroll payables	2,918	3,569
Other payables	18,197	28,721
	47,970	70,594
Less: Liability associated with assets classified as held for sale (note 22)	-	(54,559)
	47,970	16,035

The following is an aged analysis of trade payables (including those associated with assets classified as held for sale) at the end of each reporting period:

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Age		
0 to 90 days	19,001	26,051
91 to 180 days	473	1,493
Over 180 days	4,406	10,362
	23,880	37,906

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 except for those payables with agreed payment schedules due to extension of credit periods.

28. SHORT-TERM BORROWINGS

		At December 31, 2007	At August 14, 2008
		RMB'000	RMB'000
Short-term bank loans			
—secured	(1)	50,850	33,500
—factored notes receivable	(2)	-	29,910
Loans from other entity	(3)	-	5,000
		50,850	68,410

Notes:

(1) The short-term bank loans were secured (see notes 16, 17, 18 and 22) and the effective interest rates of the Group's fixed-rate bank borrowings were equal to contracted interest rate at 6.15% and 6.78% per annum at December 31, 2007 and August 14, 2008, respectively. All of the Group's bank loans have contracted maturity within one year from the end of the reporting period.

(2) At August 14, 2008, the Shanghai Boshiwa Group factored notes receivable of approximately RMB29,910,000 to a bank with full recourse. The finance charges in relation to the factorization of the notes receivable were borne by the Shanghai Boshiwa Group. The related bank loans of approximately RMB29,910,000 were classified as current liabilities with a maturity period of not exceeding 6 months, at weighted average interest rate of 8.2% 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 with a maturity period of not exceeding 1 year. Loans received from the entity were RMB15,000,000 during the period from January 1, 2008 to August 14, 2008 and RMB10,000,000 was paid back during the period from January 1, 2008 to August 14, 2008.

29. AMOUNTS DUE TO RELATED PARTIES

	At December 31, 2007	At August 14, 2008
	RMB'000	RMB'000
Shanghai Zhixuan(*)	10,000	21,746
Bright Food (Group) Co., Ltd.(**)	-	2,000
	10,000	23,746

* Shanghai Zhixuan, a former shareholder, transferred its equity interest of 10% in Shanghai Boshiwa to Great Dragon on August 20, 2008.

** Bright Food (Group) Co., Ltd. is the holding company of Shanghai Haibo Limited which transferred its equity interest of 50% in Shanghai Boshiwa to Great Dragon on August 15, 2008.

The amounts due to related parties represented loans provided by the related parties, which were unsecured, non-interest bearing and to be settled on demand. The loans received from the related parties were RMB 10,000,000 and RMB 43,746,000 during the year ended December 31, 2007 and the period from January 1, 2008 to August 14, 2008, respectively, and RMB 30,000,000 was paid back during the period from January 1, 2008 to August 14, 2008.

30. PAID-IN CAPITAL

The paid-in capital at December 31, 2007 and August 14, 2008 (date prior to change of shareholders) represented the sum of fully paid registered capital of Shanghai Boshiwa contributed by their equity holders.

31. 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, 2007	At August 14, 2008
	RMB'000	RMB'000
Within one year	851	4,386
In the second to fifth years inclusive	1,345	162
	2,196	4,548

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 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 year ended December 31, 2007 and the period from January 1, 2008 to August 14, 2008 was RMB527,000 and RMB343,000, respectively. The Group's investment property is held for a fixed monthly rental purpose with a lease term of 10 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, 2007	At August 14, 2008
	RMB'000	RMB'000
Within one year	548	562
In the second to fifth years inclusive	2,420	2,484
After five years	838	399
	3,806	3,445

32. RETIREMENT BENEFITS SCHEME

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

	Year ended December 31, 2007			For the period from January 1, 2008 to August 14, 2008		
	Discontinued operations	Continuing operations	Total	Discontinued operations	Continuing operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount contributed and charged to the consolidated statements of comprehensive income . . .	1,808	1,068	2,876	1,442	987	2,429

The outstanding contributions payable to the scheme were RMB 176,000 and RMB 304,000 as at December 31, 2007 and August 14, 2008.

33. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 25, 28 and 29, the Group had the following transactions with related parties during the Predecessor Track Record Periods:

Company name	Nature of transaction	Year ended December 31, 2007	For the period from January 1, 2008 to August 14, 2008
		RMB'000	RMB'000
Rongfeng	Sales of finished goods and raw materials	3,051	-
Rongfeng	Purchases of raw materials	4,851	3,777

The five highest paid individuals in note 12 are the management members. The remuneration of directors and key management members for the Predecessor Track Record Periods is disclosed in note 12.

34. SUBSEQUENT EVENTS

On August 22, 2008, Shanghai Boshiwa disposed of its entire equity interest of Shanghai Ronghua, Shanghai Rongli and Shanghai Rongfeng to a third party for a consideration of approximately RMB1,400,000, RMB 9,287,000 and RMB 1,299,000, respectively.

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

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong