BOSHIWA INTERNATIONAL HOLDING LIMITED
博士蛙國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1698

Boshiwa

ANNUAL REPORT 2010














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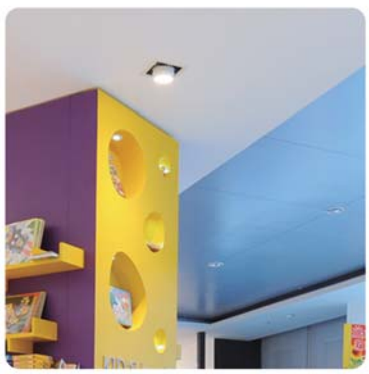

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2010 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhong Zheng Yong
(Chairman and Chief executive officer)
Ms. Chen Li Ping
(Chief operations officer and Executive vice president)

Non-executive Directors

Mr. Chen Pei Qi *(Honorary chairman)*
Mr. Li Shu Jun

Independent non-executive Directors

Mr. Lee Ted Tak Tai
Dr. Jiang Chang Jian
Mr. Li Zhi Qiang

AUDIT COMMITTEE

Mr. Lee Ted Tak Tai *(Chairman)*
Dr. Jiang Chang Jian
Mr. Li Zhi Qiang

NOMINATION COMMITTEE

Mr. Zhong Zheng Yong *(Chairman)*
Dr. Jiang Chang Jian
Mr. Li Zhi Qiang

REMUNERATION COMMITTEE

Mr. Zhong Zheng Yong *(Chairman)*
Dr. Jiang Chang Jian
Mr. Li Zhi Qiang

JOINT COMPANY SECRETARIES

Mr. Lv Yi Hao (also known as Mr. Lv Mao Long)
Mr. Lo Wah Wai *HKICPA, AICPA*

AUTHORIZED REPRESENTATIVES

Mr. Zhong Zheng Yong
Mr. Lv Yi Hao (also known as Mr. Lv Mao Long)

REGISTERED OFFICE

1st Floor, Windward 1
Regatta Office Park, P.O. Box 10338
Grand Cayman, KY1-1003
Cayman Islands

HEAD OFFICE IN THE PRC

Pudong Waigaoqiao Free Trade Zone
No. 78 Taigu Road, Shanghai
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications (Shanghai Branch)
China Merchants Bank
(Waiqaoqiao Free Trade Zone Sub-branch)

LEGAL ADVISERS

Orrick, Herrington & Sutcliffe
(as to Hong Kong and the United States law)
Haiwen & Partners *(as to the PRC law)*
Conyers Dill & Pearman
(as to the Cayman Islands law)

COMPLIANCE ADVISER

Guotai Junan Capital Limited

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KYI-1107
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LISTING EXCHANGE INFORMATION

Place of Listing

Main Board, The Stock Exchange of
Hong Kong Limited

Stock Code

1698

COMPANY'S WEBSITE

www.boshiwa.cn

Corporate Profile

Established in 1997, Boshiwa International Holding Limited (the "Company") is a leading and fast-growing developer and retailer of children's products in China. We design, source and market children's apparel, footwear, accessories and other children's products under our proprietary brands, Boshiwa, Baby^2 and Dr. Frog, and our licensed brands, Harry Potter, Prince of Tennis, NBA, Barcelona, Juventus, Manchester United, Bob the Builder and Thomas and Friends. We produce over 2,000 new fashion designs for children's merchandise each year. Our strong product design and development capabilities enable us to lead market trends and transform product concepts into commercially viable products.

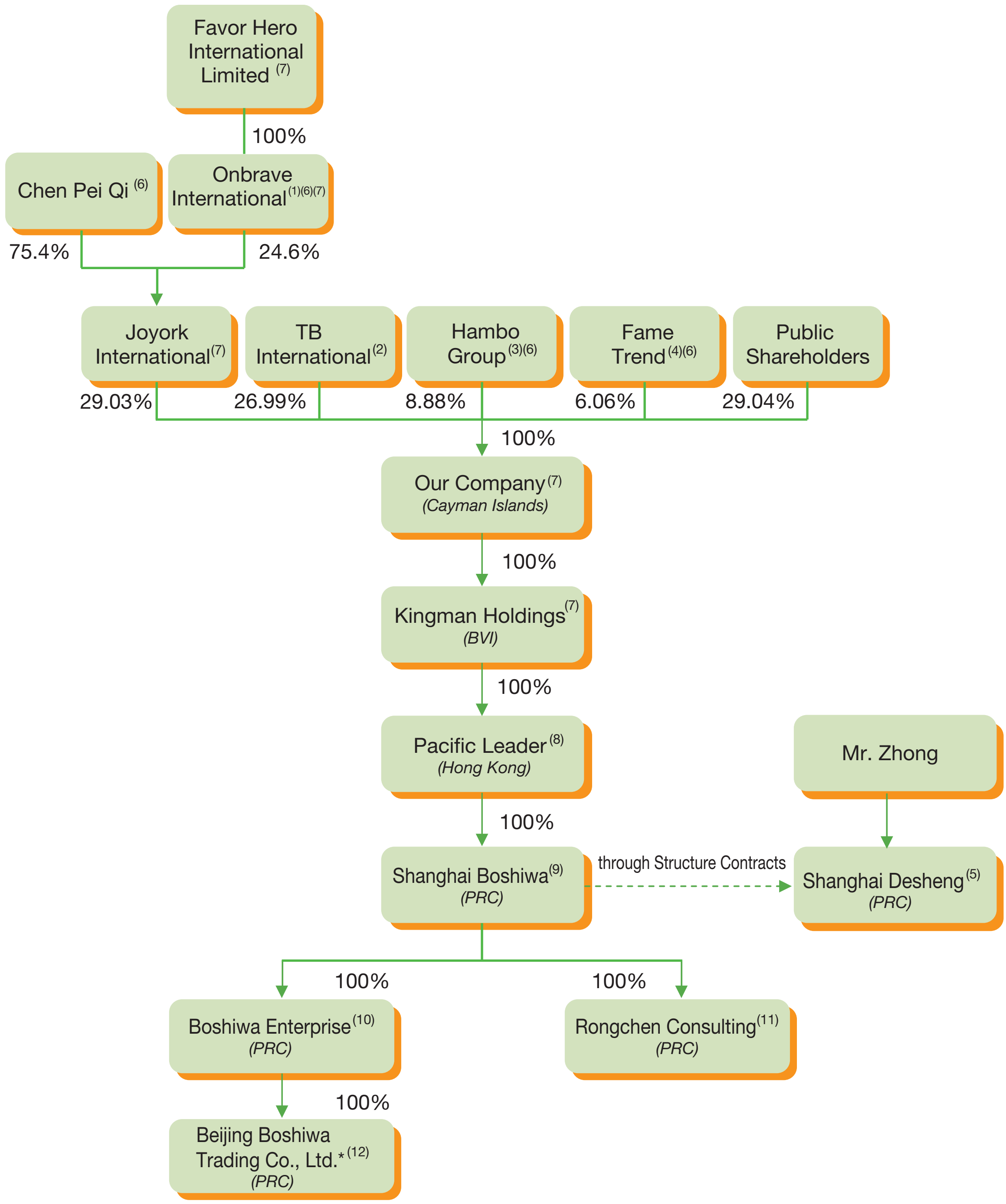
Besides, we have an integrated business model, where we participate in key stages of the product life cycle, such as product design and development, brand promotion and management, sales network development and operation, and sales and marketing, which provides one stop shopping experience to our customers.

Our marketing and promotion strategy has been an important component of our success. Through effective marketing and promotional activities, we have increased consumer awareness of our products and enhanced brand recognition within our target markets. Our Boshiwa brand has been recognized as a "Famous Brand" and "Well-Known Trademark" in Shanghai for ten years and recognized as one of the "Top Ten Brands in Children's Apparel" in 2007 and 2010. With our strong capabilities, we are honored to become the licensed provider of children's apparel for the Beijing Olympic Games 2008.

In more than ten years' development, we have built up a nationwide sales network and diversified sales platform. In response to the different consumption levels and habits in different regions of China, we use a combination of sales channels to cover the market, including department store concessions, street shops, Boshiwa 365 stores, flagship stores and wholesale distribution, which enable us to efficiently build our regional advantages and further expand our market.

By leveraging on global resources from around the world, we strive to build an integrated platform for the design, development and sale of children's products, with a focus on products based on popular movies, cartoon characters and sports events, to achieve our goal of leading the market trends in the children's product market and enhancing the quality of life for the children in China.

As at 31 December 2010, the corporate structure of the Company and its subsidiaries (the "Group") was as follows:



Corporate Profile

Notes:

(1) Onbrave International Limited ("Onbrave International") is directly owned as to 100% by Favor Hero International Limited, which is owned as to 100% by The Power Vast Trust, a discretionary trust set up by Mr. Zhong Zheng Yong for the benefit of himself and his family members. The trustee of The Power Vast Trust is Credit Suisse Trust Limited.

(2) TB International Ltd., ("TB International"), an investment holding company, is owned as to 100% by Trustbridge Partners II, L.P. TB International, being a substantial shareholder of the Company, is a connected person of the Company.

(3) Hambo Group Limited ("Hambo Group"), an investment holding company, is owned as to 100% by King Lion International (Hong Kong) Limited. King Lion International (Hong Kong) Limited is owned as to 100% by Shanghai King Lion Co. Ltd., which is owned as to 75% by Wang Shi Ming and 25% by Wang Chun Xia, the daughter of Wang Shi Ming. Wang Shi Ming is one of the directors of Shanghai Rongchen Boshiwa (Group) Co., Ltd. ("Shanghai Boshiwa"). Hambo Group is a connected person of the Company.

(4) Fame Trend Investment Limited ("Fame Trend"), an investment holding company, is owned as to 100% by Wang Xiaofeng, an independent third party.

(5) 上海得勝信息技術有限公司 (Shanghai Desheng Information Technology Limited*) ("Shanghai Desheng") was acquired by Mr. Zhong Zheng Yong on 8 February 2010 and it is owned as to 100% by Mr. Zhong Zheng Yong. In June 2010, the Company has entered into various structure contracts with this affiliated Chinese entity to conduct online sales business.

(6) As confirmed by the Company, these direct and indirect shareholders of the Company do not constitute a "closely allied group of shareholders" under Rule 14.45 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(7) Favor Hero International Limited, Onbrave International, Joyork International Limited ("Joyork International"), the Company and Kingman Holdings Limited ("Kingman Holdings") are investment holding companies.

(8) Pacific Leader International Holdings Limited ("Pacific Leader") is currently engaged in investment holding and is expected to be engaged in import and export business in the future.

(9) Shanghai Boshiwa is the Group's principal PRC operating subsidiary which is engaged in the design, development and marketing of children's products, including children's apparel, footwear and accessories.

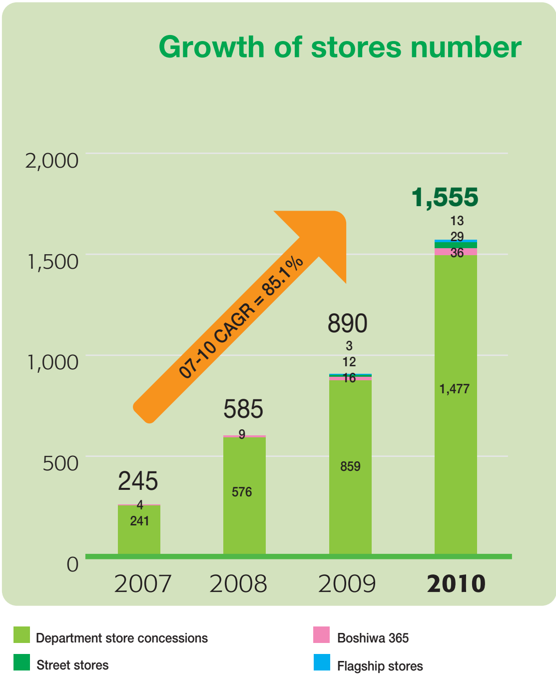
(10) 博士蛙(上海)企業發展有限公司 (Boshiwa Enterprise Development Co., Ltd.*) ("Boshiwa Enterprise") is mainly engaged in the opening of new retail outlets.

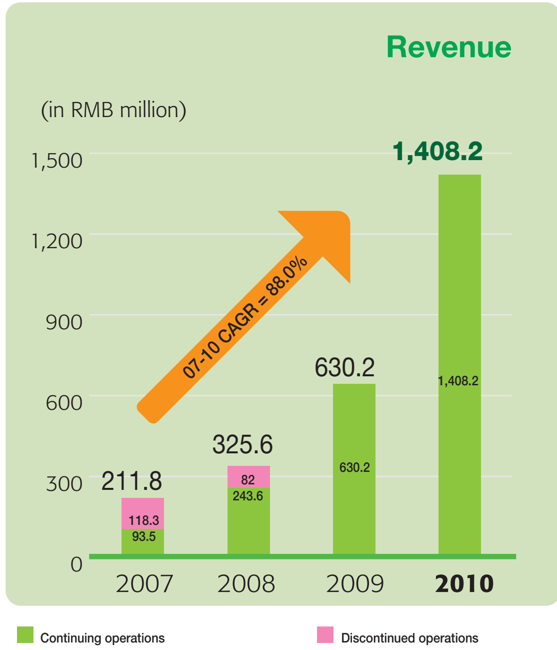
(11) Shanghai Rongchen Consulting Information & Consulting Co., Ltd. ("Rongchen Consulting") currently does not engage in any operations and the Group plans to engage it in corporate marketing planning in the future.

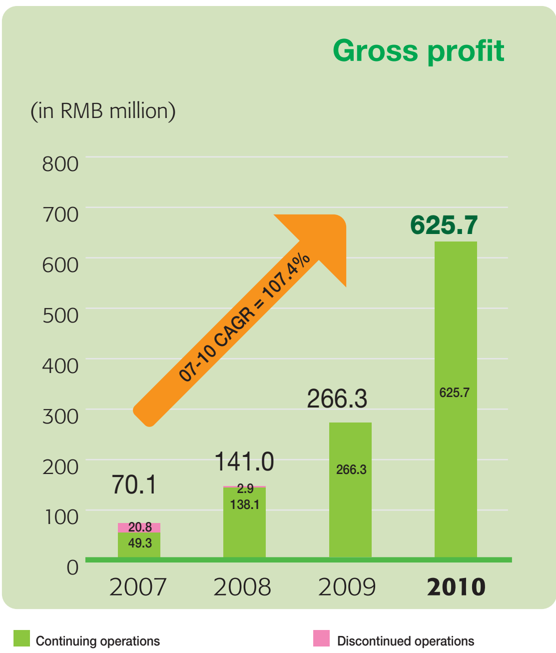
(12) 北京博士蛙商貿有限公司 (Beijing Boshiwa Trading Co., Ltd.*), a wholly-owned subsidiary of Boshiwa Enterprise established in Beijing, is mainly engaged in the opening of new retail outlets in Beijing.

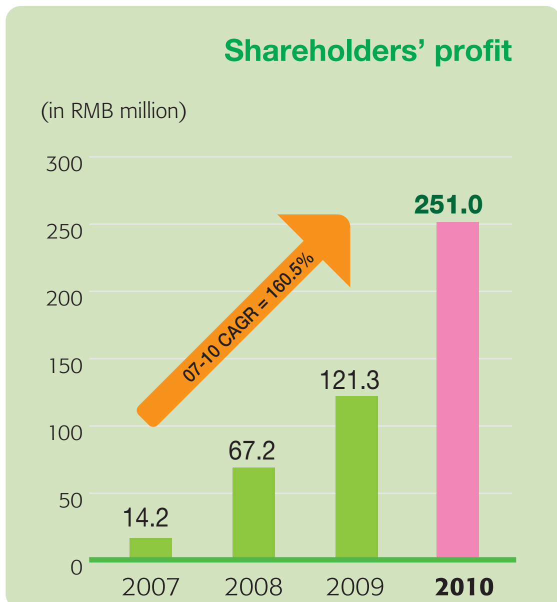
* *for identification purpose only*

Financial Highlights









Chairman's Statement

Mr. Zhong Zheng Yong
Chairman and
Chief Executive Officer

We design, develop and market children's apparel, footwear, accessories and other children's products under our proprietary brands, Boshiwa, Baby^2 and Dr. Frog, and our licensed brands, Harry Potter, Prince of Tennis, NBA, Barcelona, Juventus, Manchester United, Bob the Builder and Thomas and Friends.

To the shareholders,

On behalf of the Board of Boshiwa International Holdings Limited, I am pleased to present the audited annual results for the year ended 31 December 2010.

Public Financing

Our Group was successfully listed on the Main board of Stock Exchange of Hong Kong Limited on 29 September 2010, and became the first listed company of children consumer goods in Hong Kong capital market, which marked an important milestone of the Group during the process of capital internationalization. We have raised an aggregate of HK$2.8 billion from the Global Offering through issurance of 500,000,000 shares at HK$4.98 per share and 75,000,000 additional shares upon exercise of the over-allotment option. The Hong Kong Public Offering has the frozen capital of over HK$122 billion and in hot pursuit by investors. We have been awarded the annual "Big winner in Grey Market (暗盤王)", which has shown investors' confidence for the prospects of our Group. In addition, the Company has been elected as a constituent of "Hong Kong's Hang Seng Composite Index Series", which further enhanced the Group's position in the global capital market.

Performance Overview

During the year, our Group actively enhanced the promotion of our proprietary brands and licensed brands and widely expanded the interchange sales network, thus achieved remarkable results. The revenue of the Group substantially increased to RMB1.41 billion, representing an increase of 123.5% compared with the corresponding period last year (2009: RMB0.63 billion). Net profit of the year was RMB251 million (2009: RMB121 million), representing a substantial increase of 106.9% compared with last year. Basic earnings per share was RMB15.23 cent, representing an increase of 75.3%.

Market Review

In 2010, the Chinese government launched a series of policies to boost domestic demand, where consumption became one of key drives in China's economic growth. With over 250 million children under the age of 14, China has become the world's second largest consumer of children products in 2009. According to the research report provided by Frost & Sullivan, the market scale of children's consumer products of China exceeded RMB200 billion in 2010, and will continue to expand at a compound annual growth rate (CAGR) of up to approximately 20%. Benefited from China's new round of baby boom, changes in the pattern of household consumption of the post-eighties generation, "one-child" policy and influx of global baby brands resources, our Group captured a good opportunity of development in the past year.

The Group adopts an integrated business model, where we participate in key stages of the product life cycle, such as product design and development, brand promotion and management, sales network development and operation, and sales and marketing, which provides one-stop shopping experience to our customers.

Business Expansion

During the year under review, our Group increased marketing and R&D efforts, and widely expanded our interchange sales network which covering department store concessions, Boshiwa street shops, Boshiwa 365 stores and Boshiwa flagship stores etc., and actively enhanced the market share of our brands. The numbers of our self-managed retail stores and stores operated by third-party distributors increased from 890 in December 31 2009 to 1,555 in December 31 2010, among which department store concessions, Boshiwa street shops and Boshiwa 365 stores increased to 1,477, 29 and 36, respectively. Our 365 flagship stores featuring on "one-stop" shopping were warmly welcomed by customers. During the year, we set up a large flagship store with an area of over 2,000 sq.m in "China First Street" at Nanjing Road, Shanghai, and then gradually set up additional 6 flagship stores in Shanghai, Beijing, Xiangfan, Shaoxing and Taiyuan etc., to provide consumers with better one-stop shopping experience. Therefore, the number of Boshiwa 365 flagship stores reached 13.

Brand Development

During the year, the Group achieved great development of both our proprietary brands and licensed brands. The brand awareness of Boshiwa, our Boshiwa proprietary brands, was further enhanced, which was recognized as one of "Top Ten Children's Apparel Brand" for 2010 to 2013 and awarded "2010 Top Ten Apparel Brands" in China's textile and apparel industry. We introduced five new licensed brands in 2010, including two UK's cartoon brands called Thomas and Friends and Bob the Builder and three European Football Club brands called Manchester United, Barcelona and Juventus. In addition, we carried out diversified cooperation with NBA licensed brand. We will strive to promote cartoon & sports culture favored by Chinese children through developing the derivative products with brand culture, so as to meet the requirements of children consumers in respect of cultural level.

Marketing

Our Group attaches great importance to brand promotion through integrating dominant resources. During the year, our Group collected slogans through China Mobile 12580 Life Broadcast, achieving remarkable results in attaining 228,000 slogans within three days; in addition, our Group successfully. Star couple Mr. Lu Yi & Ms. Bao Lei as our spokes-person via a polling activity held on 12580. Currently, our Group has already signed a contract with NBA, pursuant to which we have become its official partner. Our Group will make joint efforts with NBA to conduct a series of theme activities, such as NBA Carnival and Boshiwa & NBA Children's Playground, to further enlarge the influence of Boshiwa and enhance the awareness of Boshiwa brands. Besides, our Company will enhance the promotion of our brands by utilizing traditional media, such as TV, newspapers, magazines and new media like Internet, Mobile Internet and Twitter, to further improve the market awareness of our brands.

Innovation Strategy

Our Group places great emphasis on application innovation and technological innovation, and strives to integrate new technology and new media with traditional children's consumer products industry, so as to serve consumption, guide consumption as well as to create consumption. Our Group formulated a development strategy of "4 networks in 1, human-oriented; 5As strategy, shops as core", and has been committed to enforcing the connection among the internet of things, the communication among the mobile internet, the consolidation of outlets network shop by shop and the web formation of among each members' network in children's consumer products industry, thus to provide children consumers with most convenient and efficient services. The ultimate goal of our Group is that we are able to satisfy the needs of children's parents at any time anywhere through various channels (such as outlets, internet, mobile internet and catalogue) or in any manner. This is the simplest and most specific needs of children's parents, and also the most practical goal of the enterprises with strong sense of responsibility.

Social Responsibility

Besides focusing on promoting the business development, our Group is committed to the implementation of corporate social responsibility, actively supporting various chartable activities and practically realizing the corporate philosophy of "all for children, bring children joy". Our Group set up "Boshiwa Angel Fund (博士蛙天使基金)" jointly with Children's Hospital of Shanghai, for the purpose of subsidizing children with Leukemia from those families with economic difficulties. In addition, our Group also made capital contribution to establishment of "Boshiwa Love Hut (博士蛙陽光小屋)" for children who suffered from Leukemia in Children's Hospital of Shanghai, which was also named as "Children's Paradise".

Prospect

2011 will be a year full of opportunities and challenges, and it will also be a critical time for the Group to lay a stable foundation for future development. Facing the ever-changing market environment globally, the Group will capture this golden chance where the PRC government stimulates domestic consumption, putting consumption as the main driving force for China's economic development. Leveraging our advantage of sufficient capital raised from previous listing, so as to further expand our interchange sales network, and actively preparing the establishment of Boshiwa children consumable goods research and develop center, establish and upgrade the logistics center which in core of the internet of things, make efforts to promote the full range of member services, meanwhile, timely introduction of new licensed brands and start the mergers and acquisitions, we will strengthen the development of the target market of mid-high-end children consumable goods, while adhering to our innovative application and cutting-edge technology, so as to further enhance the market permeability of our brands.

By focusing on the expansion of our national wide interchange sales network, the Group will put Boshiwa 365 stores and Boshiwa Flagship Stores as the key of our development. The Group will endeavor to merge the philosophy of "4 networks in 1, human-oriented; 5As strategy, shops as core" into our retail shops, in order to realize an intelligence platform for diversified children consumable goods in our shops, meet individual customer needs in all aspects, provide experiencing services to cater customer needs effectively, materializing a one-stop shopping experience and supply chain of products offering to customers.

The Group will actively plan and establish the Boshiwa global children consumable goods research and development center. Being customers-oriented as usual, we strive to deeply understand customers' actions, optimize customers' experiences, improve their brand loyalty to us, cater for customers' needs, explore customers' values and strengthen our anti-marketing, resulted in a sales network of member-oriented. Through internet, mobile internet, twitter and other means, we will satisfy members' demands for products being good for sale and personalized services via the platform of retail shops. Besides, the Group will introduce product delivery service through sales shops by establishing and upgrading modern logistics with "The Internet of Things" as the key.

The Group will be committed to introducing popular brands of cartoon characters and sports in China and overseas, and hence further enrich Boshiwa brand portfolio. The Group will also examine outstanding assets resources in China and overseas for industrial merger and acquisition when appropriate, so as to bring excellent children consumable assets from all over the world to China for China's children consumer services, so as to fully strengthen the quality of life of children consumers in China.

Appreciate Your Support

Finally, on behalf of the Board, I would like to express my gratitude to all employees for their consistent services and contributions during the year and all intermediaries for their continuous efforts for our successful listing, also sincerely appreciate the longstanding support and trust by all shareholders and business partners. Our Group will continue to enhance our brand, optimize the products, promote the expansion and strengthen our leading position in children's product industry of China, and continues its commitment to achieving excellent performance and maximizing returns to our shareholders.

Zhong Zheng Yong
Chairman of the Board

30 March 2011

A worldwide range to enjoy quality product and service

讓每一個孩子都能
享受到博士蛙提供的
優質產品和服務


BOSHIWA 365 博士蛙


PLAY
RACER


博士蛙

Management Discussion and Analysis

The extensive product portfolio of our Group enables us to meet the diversified demand of the consumers, and improve the quality of their lives.

Market Review

China surpassed Japan in 2010 to become the world's second largest economy, and the growth of China's economy is closely tied to the global economy. The Chinese government launched a series of policies to improve people's income, boost domestic demand and stimulate consumption, which further expanded the scale of the retail consumer market in China. According to the statistics of related authorities, China had over 250 million children under 14 years of age, representing one of the countries with the largest number of children consumers in the world. According to the research report provided by Frost & Sullivan, the market scale of children's consumer products of China exceeded RMB200 billion in 2010, and will continue to expand at a compound annual growth rate (CAGR) of up to approximately 20%. Benefited from China's new round of baby boom, changes in the pattern of household consumption of the post-eighties generation and "one-child" policy, the Company and its subsidiaries (the "Group") captured a good opportunity of development in the past year.

Business Review

There was a substantial increase in the number of stores of our proprietary brands, Boshiwa and Baby^2 and Dr. Frog, and the sales volume and profitability of each brand store were also improved significantly in the year of 2010. During the year, the Group introduced cartoon brands, such as Thomas and Friends and Bob the Builder, and sports brand, such as Manchester United, Barcelona and Juventus, which further enriched our brand portfolio. These brands are all endowed with unique brand culture and different market positioning. Following closely the market demands, our Group developed a wide range of children's apparel, footwear and accessories products to meet the needs of different consumer groups, and these products proved to be popular among consumers. Besides, our licensed brand, NBA, which was introduced at the end of 2009, also achieved sound results during the year.

Our diversified sales channels developed rapidly over the year. By the end of 2010, our Group had 1,555 (2009: 890) retails outlets, representing an increase of 74.7%, among which department store concessions increased by 618 (2009: 859) or 71.9%; newly-added 17 Boshiwa street shops (2009: 12) or 141.7%; Boshiwa 365 stores increased by 20 (2009: 16) or 125.0%; flagship stores increased by 10 (2009: 3) or 333.3%.

Financial Review

The Group recorded significant growth for 2010 annual results, and achieved more than 100% growth in revenue and profit before tax. As of 31 December 2010, our revenue amounted to RMB1,408.2 million (2009: RMB630.2 million), representing an increase of 123.5%; profit before tax amounted to RMB367.8 million (2009: RMB170.8 million), representing an increase of 115.4%. The profits attributable to our equity holders amounted to RMB251.0 million (2009: RMB121.3 million), representing an increase of 106.9%.

Revenue

The revenue of our Group increased by 123.5% from RMB630.2 million for the year ended 31 December 2009 to RMB1,408.2 million for the year ended 31 December 2010, primarily as a result of a rapid increase in our revenue derived from sales of children's apparel, footwear and accessories and other children's products. This increase was primarily attributable to the increase in sales volume resulting from the significant expansion of our sales network, including the addition of 5 flagship stores, 6 Boshiwa 365 stores, 8 street shops and 254 department store concessions, which are all self-managed, and the addition of 5 flagship stores, 14 Boshiwa 365 stores, 9 street shops and 364 department store concessions, which are all operated by authorised third-party, and the increase in our sales per square meter during the year. In addition, we expanded our product offerings during the year of 2010 to include a range of other children's products, which helped to attract additional customers to our retail outlets. These customers also purchased our children's apparel, footwear and accessories, which contributed to an increase in our revenue. The revenues derived from sales of children's apparel, footwear and accessories and other children's products increased from RMB569.1 million and RMB61.1 million in 2009 to RMB1,005.6 million and RMB402.6 million in 2010.

The table below sets forth our revenue by product category for the periods indicated:

	Year ended 31 December				
	2010		2009		
	Revenue *(RMB million)*	% of revenue	Revenue *(RMB million)*	% of revenue	Growth rate %
By product category					
Children's apparel, footwear and accessories	**1,005.6**	**71.4**	569.1	90.3	**76.7**
Other children's products	**402.6**	**28.6**	61.1	9.7	**558.9**
Total	**1,408.2**	**100.0**	630.2	100.0	**123.5**

Cost of Sales

Our cost of sales only consists of costs for purchasing finished goods. Our cost of sales increased from RMB363.9 million in 2009 to RMB782.5 million in 2010, representing a growth rate of 115.0%. The increase in cost of sales was less than the increase in sales revenue, primarily due to a significant increase in sales revenue of 2010 accompanied by an increase in purchases, and lower procurement costs obtained as result of our increased bargaining power. Meanwhile, we made an advance payment for purchasing part of children's clothes in 2010 to fix purchase price.

The sales cost of our children's apparel, footwear and accessories and other children's products increased from RMB315.4 million and RMB48.5 million in 2009 to RMB491.6 million and RMB290.9 million in 2010, respectively.

The table below sets forth our cost of sales by product category for the periods indicated:

	Year ended 31 December				
	2010		2009		
	Cost of sales *(RMB million)*	% of Cost of sales	Cost of sales *(RMB million)*	% of Cost of sales	Growth rate %
By product category					
Children's apparel, footwear and accessories	**491.6**	**62.8**	315.4	86.7	**55.9**
Other children's products	**290.9**	**37.2**	48.5	13.3	**499.8**
Total	**782.5**	**100.0**	363.9	100.0	**115.0**

Gross Profit

Due to the above reasons, our gross profit increased significantly from RMB266.3 million in 2009 to RMB625.7 million in 2010. Our gross profit margin increased from 42.3% in 2009 to 44.4% in 2010, primarily due to less discounts provided by our Group to customers and dealers in 2010 compared with those in 2009. Our gross profit derived from sales of children's apparel, footwear and accessories and other children's products increased from RMB253.8 million and RMB12.5 million in 2009 to RMB514.0 million and RMB111.7 million in 2010, respectively.

The table below sets forth our gross profit and gross profit margin by product category for the periods indicated:

	Year ended 31 December				
	2010		2009		
	Gross profit *(RMB million)*	Gross profit margin	Gross profit *(RMB million)*	Gross profit margin	Growth rate %
By product category					
Children's apparel, footwear and accessories	**514.0**	**51.1**	253.7	44.6	**102.6**
Other children's products	**111.7**	**27.7**	12.6	20.6	**786.5**
Total	**625.7**	**44.4**	266.3	42.3	**135.0**

Investment Income and Other Gains and Losses

Investment income and other gains and losses of our Group increased from RMB6.8 million in 2009 to RMB11.3 million in 2010, primarily due to significant increase in government grants. The Group received grants of RMB34.2 million from the district government of Yangpu District in Shanghai, where our principal People's Republic of China ("PRC") operating subsidiary, Shanghai Boshiwa, is located. These grants are determined by Yangpu District and calculated based on our tax payments to Yangpu District.

In addition, our foreign exchange loss incurred in 2010 was RMB23.9 million (2009: RMB0.3 million), which was mainly due to the translation loss incurred from the capitals raised during the listing of our Shares on the Stock Exchange ("IPO") (which were denominated in HK dollar), as a result of the depreciation of HK dollar against RMB during the period from the time of raising funds to 31 December 2010.

Distribution and Selling Expenses

Our distribution and selling expenses primarily include concession fees and rental expenses, promotional event and advertisement expenses, salaries and benefits for sales staff, packaging and transportation expenses, depreciation and amortisation expenses and other expenses. Our distribution and selling expenses increased from RMB71.9 million in 2009 to RMB171.0 million in 2010, which was primarily due to the increase in concession fees and rental expense, salaries and benefits, depreciation and amortisation expenses, and other expenses. Our concession fees and rental expenses increased, primarily because we continuously expanded our sales network, including the addition of 5 flagship stores, 6 Boshiwa 365 stores, 8 street shops and 254 department store concessions, which are all self-managed and we started to pay the rental expenses for retail outlets operated by third parties. Our salaries and benefits increased primarily because we had more personnel due to the expansion of our business. Furthermore, our other expenses increased, primarily due to the increase in license fees as a result of the addition of licensed brands, such as NBA, Barcelona, Juventus, Manchester United, Bob the Builder and Thomas and Friends.

The table below sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	Year ended 31 December				
	2010		2009		
	Expenses *(RMB million)*	% of revenue	Expenses *(RMB million)*	% of revenue	Growth rate %
Concession fees and rental expenses	**72.8**	**5.2**	31.0	4.9	**134.8**
Promotional event and advertisement	**28.3**	**2.0**	15.3	2.4	**85.0**
Salaries and benefits	**25.1**	**1.8**	13.8	2.2	**81.9**
Packaging and transportation expenses	**5.3**	**0.4**	3.3	0.5	**60.6**
Depreciation and amortisation	**11.8**	**0.8**	3.0	0.5	**293.3**
Others[(1)]	**27.7**	**2.0**	5.5	0.9	**403.6**
Total	**171.0**	**12.1**	71.9	11.4	**137.8**

Note:

(1) Others primarily include travel expenses, consumables for the operation of our retail outlets, meeting expenses, utilities and brand licensing fees.

Administrative and General Expenses

Our administrative and general expenses primarily consist of salaries and benefits for managerial personnel and administrative personnel, depreciation and amortisation expenses, research and development expenses, advertisement and exhibition expenses, professional fees and others. Our administrative and general expenses increased from RMB24.1 million in 2009 to RMB76.5 million in 2010. The increase in administrative and general expenses was mainly due to an increase in salaries and benefits, professional fees and other expenses. Our salaries and benefit increased, because we added a significant number of administrative personnel as our business expanded. Our professional fees increased, primarily because we incurred intermediary costs during the IPO of our Group. Other expenses increased, primarily due to the increase in travel expenses, overseas consulting fees and incurrence of travel expenses for listing (including travel expenses for intermediary agency undertaken by our Group), conference fees and printing expenses as we continuously increased overseas purchases.

The table below sets forth a breakdown of our administrative and general expenses for the periods indicated:

	Year ended 31 December				
	2010		2009		
	Expenses *(RMB million)*	% of revenue	Expenses *(RMB million)*	% of revenue	Growth rate %
Salaries and benefits	**19.0**	**1.3**	7.6	1.2	**150.0**
Depreciation and amortisation	**5.2**	**0.4**	3.5	0.6	**48.6**
R&D	**3.4**	**0.2**	2.6	0.4	**30.8**
Advertisement and exhibition	**1.6**	**0.1**	1.8	0.3	**(11.1)**
Professional fees	**27.0**	**1.9**	0.3	0.0	**8,900.0**
Others(1)	**20.3**	**1.4**	8.3	1.3	**144.6**
Total	**76.5**	**5.4**	24.1	3.8	**217.4**

Note:

(1) Others primarily include travel expenses, consulting fees, conference fees and printing expenses.

Finance Costs

Our finance costs in 2010 was RMB21.7 million, compared with RMB6.4 million in 2009. The increase in finance costs was primarily due to interest expenses. Our interest expenses on loan from BOCOM International Holdings Company Limited received at the end of 2009 mostly occurred in 2010.

Income Tax Expense

Our income tax expenses occurred in 2009 and 2010 were RMB49.5 million and RMB116.8 million, respectively. The increase in income tax expenses was mainly due to the increase in our taxable income. Our effective tax rates were 29.0% and 31.8% as at 31 December 2009 and 31 December 2010, respectively. The increase in effective tax rate was primarily due to withholding tax occurred as a result of making the payment of dividends prior to the listing.

Profit for the Year

Due to the above reasons, our profit increased by RMB129.7 million from RMB121.3 million in 2009 to RMB251.0 million in 2010.

Analysis on Turnover Days of Inventory, Trade Receivables and Trade Payables

The table below sets forth the turnover days of our inventories, trade receivables and trade payables for the periods indicate:

	For the year ended 31 December 2010 *(number of days)*	For the year ended 31 December 2009 *(number of days)*
Average turnover days of inventory	**117**	119
Average turnover days of trade receivables	**72**	106
Average turnover days of trade payables	**34**	50

Inventory

Our inventory generally consisted of the purchase of finished goods and certain raw materials (including the packaging materials) only. The Group's average turnover days of inventory in 2010 and 2009 are 117 days and 119 days, respectively.

The table below sets forth a breakdown of our inventory for the periods indicated:

	For the year ended 31 December 2010 *(RMB million)*	For the year ended 31 December 2009 *(RMB million)*
Raw materials	**3.9**	3.3
Finished products	**350.1**	145.5
Total	**354.0**	148.8

As at 31 December 2010 and 31 December 2009, the Group had inventory amounting to RMB354.0 million and RMB148.8 million respectively. The increase in inventory was mainly due to the Group's business expansion, leading to the increase in the number of retail outlets.

Trade Receivables

For the year ended 31 December 2010 and for the year ended 31 December 2009, the turnover days of our trade receivables were 72 days and 106 days respectively. Our trade receivables primarily consisted of receivables from department stores relating to sales by our concessions, the receivables from authorised third-party retailers that operate our retail outlets and the receivables from wholesaler engaged in wholesale and distribution business. The decrease in turnover days of trade receivables was mainly due to the increased efforts of the Group in collecting trade receivables. Our credit policies had no material changes.

We normally grant credit periods up to 180 days to our customers, in which majority of the customers had a credit periods of 90 days. Moreover, we adopted a series of policies and measures for managing the recovery of trade receivables, including the implementation of more stringent credit standards, credit inspection and close monitoring of outstanding trade receivables and bills.

As at 31 December 2010 and 31 December 2009, our trade receivables were RMB288.3 million and RMB271.0 million, maintaining a stable level.

Trade Payables

For the year ended 31 December 2010 and 31 December 2009, the turnover days of our trade payables were 34 days and 50 days respectively. Our trade payables were derived primarily from payables relating to the purchase of raw materials and finished products. The payment periods of most of our raw materials and finished products were 90 days upon delivery and acceptance of the products.

As at 31 December 2010 and 31 December 2009, our trade payables were RMB70.3 million and RMB77.3 million respectively. In 2010, our trade payables decreased by RMB7.0 million over the year of 2009, mainly due to the adoption of prepayment method for certain purchase of children's apparel so as to fix the purchase price.

Net Current Assets and Liabilities Analysis

The table below sets forth the current asset and current liability positions of the Group as of the dates indicated below:

	For the year ended 31 December 2010 *(RMB million)*	For the year ended 31 December 2009 *(RMB million)*
Current assets		
Inventories	**354.0**	148.8
Trade and other receivables	**480.8**	298.3
Prepaid lease payments — current	**0.3**	0.3
Loan receivables	**19.0**	—
Investments in securities	**31.8**	—
Amount due from a former shareholder	**—**	1.0
Amount due from a related party	**2.3**	—
Pledged bank deposits	**2.6**	25.0
Bank balance and cash	**1,690.2**	65.8
Total current assets	**2,581.0**	539.2
Current liabilities		
Trade and other payables	**203.3**	115.7
Tax liabilities	**71.2**	39.1
Dividend payables	**—**	27.1
Short-term borrowings	**10.0**	263.8
Amount due to a former shareholder	**—**	0.7
Deferred revenue	**24.7**	—
Total current liabilities	**309.2**	446.4

The Group maintained sound and healthy financial positions. As at 31 December 2010, the Group had working capital amounting to RMB2,271.8 million, representing an increase by 2,348.6% as compared with that of 31 December 2009. The increase was mainly due to the increase in cash and bank deposits and decrease in short-term borrowings.

Indebtedness

Borrowings

The following table sets forth information of the Group's bank and other borrowings:

	For the year ended 31 December 2010 *(RMB million)*	For the year ended 31 December 2009 *(RMB million)*
Secured bank borrowings due within one year	**10.0**	191.2
Secured other borrowing due within one year	**–**	72.6

All of our bank and other borrowings are at fixed interest rates and repayable within one year.

On 31 December 2010, the Group's bank borrowings due within one year were secured by the pledged bank deposits and guarantee by Shanghai Yangpu District Small-To-Medium Enterprise Guarantee Centre (上海市楊浦區中小企業擔保中心). Our pledged bank deposits were RMB2.6 million. The decrease in borrowings was mainly due to the Group's ample capital as well as the increasing interest rate for RMB borrowings. The Group did not renew the expired bank borrowings so as to reduce the finance costs.

The following discussion should be read along with the financial information and its notes of the Group, which were included in the annual report of the Company.

Interest Rate Risk

Our fair value interest rate risk relates primarily to our fixed-rate bank borrowings and fixed-rate loan receivables. Our cash flow interest rate risk relates primarily to our variable-rate bank deposits. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. Currently, we do not have a specific policy to manage our interest rate risk, but plan to closely monitor the interest rate risk exposure in the future. In the opinion of our Directors, we did not have significant exposure to cash flow interest rate risk as of 31 December 2009 and 31 December 2010 as a 100-basis point change in the variable rate bank deposits as of those dates would not have had any significant financial impact on us.

Other Price Risk

The Group is exposed to investment funds price risk in relation to its available-for-sale investments. The Group currently does not have a price risk hedging policy as the management considers the Group is not exposed to significant price risk. The management will continue to monitor price risk exposure and consider hedging against it should the need arises.

If the prices of the respective investment funds had been 5% (2009: Nil) higher/lower, investments revaluation reserve would increase/decrease by approximately RMB14.7 millions (2009: Nil).

Credit Risk

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

In order to minimize our credit risk, our Directors have assigned a team responsible for determining our credit limits, credit approvals and establishing other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, we review 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, our Directors consider that our credit risk is significantly reduced.

We have concentration of credit risk in respect of bank balances. Approximately 99% and 93% of our bank balances as of 31 December 2009 and 31 December 2010, respectively, were deposited at two of the five biggest state-owned banks in the PRC and the credit risk relating to these liquid funds is limited.

We have concentration of credit risk in respect of loan receivables. Approximately 100% of our loan receivables as of 31 December 2010 was provided to two long-term suppliers (2009: 90% of the loan receivables were provided to 5 long-term suppliers). Our management reviews the counterparties' financial status periodically and continuously monitors our level of exposure to ensure that follow-up actions and collection actions are taken promptly to lower our exposure.

Foreign Currency Risk

The Company primarily operate in the PRC and the Renminbi ("RMB") is the functional currency of most of the principal subsidiaries. Certain of the bank balances, borrowings sales and purchases are denominated in Hong Kong Dollars, Japanese Yen and United States Dollars, which are currencies other than the functional currency of the Group entities and expose the Group to foreign currency risk.

The Company closely monitor the effects of changes in the foreign exchange rates on our currency risk exposures. The Group currently do not take any measures to hedge currency risk exposures.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. We do not have any significant exposure to liquidity risk as we were in a net current asset position as of 31 December 2009 and 31 December 2010.

We have built an appropriate liquidity risk management framework for the management of our short-term funding and liquidity management requirements. We manage liquidity risk by maintaining bank facilities and by continuously monitoring forecasted and actual cash flows.

Liquidity and Financial Resources

As at 31 December 2010, cash and bank balance of the Group amounted to approximately RMB1,690.2 million (2009: approximately RMB65.8 million).

As at 31 December 2010, bank borrowings of the Group amount to approximately RMB10.0 million (2009: RMB191.2 million), pledged by the bank deposits of the Group and guaranteed by Shanghai Yangpu District Small-To-Medium Enterprise Guarantee Centre (上海市楊浦區中小企業擔保中心) (2009: RMB191.2 million, pledged by the bank deposits and by the buildings, the land use right, and the investment property held by the Group).

During 2010, our net cash generated by operations amounted to RMB40.8 million, representing an increase of RMB39.8 million as compared with that of 2009. The operational cash flow of the Group significantly increased.

For the year ended 31 December 2010, our net cash used in investing activities amounted to RMB422.6 million (2009: RMB174.9 million), in which RMB98.1 million was used in purchasing fixed assets and improve leasing properties and RMB328.7 million was used in external investment.

During the year ended 31 December 2010, our net cash generated from financing activities amounted to RMB2,028.3 million, representing an increase of RMB1,811.6 million as compared with that of 2009, mainly due to the capital raised from our IPO.

Gearing ratio is defined as the net liabilities (presented as borrowings, excluding time deposits as well as bank balance and cash), divided by the shareholders' interest. As at 31 December 2010, we had strong financial positions with net cash reaching RMB1,682.8 million (2009: net liabilities of RMB173.0 million). Therefore, no gearing ratio was presented.

Charges and Contingent Liabilities

Other than the secured bank borrowings mentioned above, as at 31 December 2010, the Group had other contingent liabilities as follows:

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

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

The Group has disclosed this non-compliance to the Shanghai Commerce Committee and has not received any notification of penalty. No provision has been made by the Group for the year for confiscation of gain and fines as the probability that the relevant government authorities taking actions against the Group and amount of obligation cannot be estimated with sufficient reliability according to the legal opinion.

Capital Commitment

Details of the capital commitment of the Group for the year ended 31 December 2010 are set out in Note 33 to the consolidated financial statements.

Employment and Remuneration Policy

The Company recognised the importance of maintaining good relationship with the employees and offered them with highly competitive remuneration packages. The remuneration paid to employees includes salaries and allowances.

The Group's remuneration policy was determined by the performance of the individual staff and was reviewed regularly. The Group also offered discretionary bonus to the employees for encouraging them to make contribution to the Group and the bonus was determined by the profitability positions. The major objectives of the remuneration packages for the Group's executive Directors were to establish a link between their compensation and results according to their achieved goals set by the Company, so as to retain and encourage the executive Directors.

As at 31 December 2010, the Group had 2,097 employees (including Directors). For the year ended 31 December 2010, the total salaries and related costs (including Directors' fees) amounted to approximately RMB44.1 million (2009: approximately RMB21.4 million). The Company maintained a share options scheme with the aim of providing eligible parties with incentives and allowances for their contribution to the Group.

Prospect

2011 will be a year full of opportunities and challenges, and it will also be a critical time for the Group to lay a stable foundation for future development. Facing the ever-changing market environment globally, the Group will capture this golden chance where the PRC government stimulates domestic consumption, putting consumption as the main driving force for China's economic development. Leveraging on our advantage of sufficient capital raised from previous listing, so as to further expand our interchange sales network, and actively preparing the establishment of Boshiwa children consumable goods research and development center, establish and upgrade the logistics center which in core of the internet of things, make efforts to promote the full range of member services, meanwhile, timely introduction of new licensed brands and start the mergers and acquisitions, we will strengthen the development of the target market of mid-high-end children consumable goods, while adhering to our innovative application and cutting-edge technology, so as to further enhance the market permeability of our brands.

By focusing on the expansion of the national wide interchange sales network, the Group will put Boshiwa 365 stores and Boshiwa Flagship Stores as the key of our development. The Group will endeavor to merge the philosophy of "4 networks in 1, human-oriented; 5As strategy, shops as core" into our retail shops, in order to realize a integrated platform for diversified children consumable goods in our shops, meet individual customer needs in all aspects, provide experiencing services to cater customer needs effectively, materializing a one-stop shopping experience and supply chain of products offering to customers.

The Group will plan and establish the Boshiwa global children consumable goods research and development center actively. Being customers-oriented as usual, we strive to deeply understand customers' actions, optimize customers' experiences, improve their brand loyalty to us, cater for customers' needs, explore customers' values and strengthen our marketing, resulting in a member-oriented sales network. Through internet, mobile internet, twitter and other means, we will satisfy members' demands for products being good for sale and personalized services via the platform of retail shops. Besides, the Group will introduce shop-centered product delivery service by establishing and upgrading modern logistics with "The Internet of Things" as the key.

The Group will be committed to introducing popular brands of cartoon characters and sports in China and overseas, and hence further enrich Boshiwa brand portfolio. The Group will also examine outstanding assets resources in China and overseas for industrial merger and acquisition when appropriate, so as to bring excellent children consumable assets from all over the world to China for China's children consumer services, so as to fully strengthen the quality of life of children consumers in China.

Other Information

On 30 September 2010, the Company announced that the over-allotment option has been fully exercised by the joint bookrunners (UBS AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited, BOCOM International Securities Limited and Deutsche Bank AG, Hong Kong Branch) on behalf of the international underwriters on 30 September 2010 in respect of an aggregate of 75,000,000 shares of the Company (the "Shares"), representing 15% of the Shares initially available under the global offering before any exercise of the over-allotment option, for the purpose of covering over-allocations in the international placing. Subsequently, the over-allotment Shares was issued and allotted on 6 October 2010 by the Company at HK$4.98 per Share (excluding brokerage of 1%, Securities Futures Commission transaction levy of 0.003% and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") trading fee of 0.005%), being the offer price per Share in connection with the global offering.

The Company pursuant to Note (3) to Rule 10.07(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), on 24 December 2010 after trading hours, announced that Joyork International Limited entered into a share pledge agreement with UBS AG, pursuant to which Joyork International Limited agreed to pledge 100,000,000 Shares, (representing approximately 4.82% of the issued share capital of the Company) out of 602,400,000 Shares (representing approximately 29.03% of the issued share capital of the Company) held by it in favor of UBS AG as security for a three-month term loan facility, with an option to extend such facility on materially the same terms and conditions for another three months, of US$20,000,000 granted by UBS AG to Joyork International Limited.

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhong Zheng Yong (鍾政用), aged 54, is the chairman and the chief executive officer of the Company. Mr. Zhong has over 20 years of experience in the children's products industry and is primarily responsible for the overall management, corporate strategies, planning and business development of the Group. Prior to establishing the Group in July 1997, Mr. Zhong was the general manager of Shanghai Yangtze River Knitting and Textile Factory (上海長江針織總廠) from April 1975 to July 1988. He then established Shanghai Rong'an Knitting and Textile Co., Ltd. (上海榮安針織有限公司) in July 1988 and assumed the position of general manager of the company from its incorporation to July 1998. He also established Shanghai Rongchen Group (上海榮臣集團) in June 1994 and was the chairman of board of directors of the company from its incorporation to July 1997. Mr. Zhong was elected and appointed as a member of the 9th and 10th Political Consultative Conference of Shanghai in 1998 and 2003, and he has been a delegate to the First to Fourth National People's Congress of Pudong New District of Shanghai, from 2000 till now. His other social undertakings include vice-chairman of Chamber of International Commerce Shanghai (上海國際商會), member of the Executive Committee of Shanghai Federation of Industry and Commerce (上海市工商聯合會), vice-chairman of Shanghai Garment Trade Association (上海服裝行業協會) and chief member of Children's Apparels Committee of China National Garment Trade Association (中國服裝行業協會童裝專業委員會). Mr. Zhong completed the course of the 3rd advanced seminar of Fudan University for CEOs (總裁高級研修班) in December 2004. He was appointed as an executive Director on 8 September 2010.

Mr. Zhong has dedicated himself to children's products industry for more than 20 years. He has managed to win the Group a leading position in the industry by innovating business model, integrating global resources and developing premium brand. Mr. Zhong was recognized as a model of Shanghai Youth Entrepreneur (上海市優秀青年企業家標兵) for the year of 1996.

Ms. Chen Li Ping (陳麗萍), aged 49, is an executive director of the Group. She is also the chief operations officer and executive vice president of the Company. Ms. Chen has over 18 years of experience in the children's products industry and is primarily responsible for the product design and development, outsourcing and procurement, operation of sales channels and marketing and promotion of the Group. She participated in the establishment of Shanghai Rongchen Boshiwa (Group) Co., Ltd. (上海榮臣博士蛙(集團)有限公司) ("Shanghai Boshiwa") while she was working for Shanghai Rongchen Group (上海榮臣集團), founding shareholder of Shanghai Boshiwa, and joined Shanghai Boshiwa upon its establishment on 30 July 1997 as a director. Prior to joining the Group, she was the secretary of League Committee (團委書記) of 19th Factory of Shanghai Cotton Group (上海國棉十九廠) from March 1983 to November 1991. From December 1991 to June 1994, she was the marketing director in Shanghai Rong'an Knitting and Textile Co., Ltd. (上海榮安針織有限公司). From June 1994 to July 1997, she was the deputy general manager of Shanghai Rongchen Group (上海榮臣集團), a former shareholder of Shanghai Boshiwa, and was mainly responsible for its corporate administration, sales and product design. Ms. Chen graduated from the EMBA program jointly held by Shanghai Jiao Tong University (上海交通大學) and Nanyang Technological University (南洋理工大學), Singapore in 2006. She was appointed as an executive Director on 8 September 2010. She is not related to Mr. Chen Pei Qi, one of the Company's non-executive Directors.

Non-executive Directors

Mr. Chen Pei Qi (陳培琪), aged 51 is a honorary chairman and non-executive Director of the Group. As Mr. Chen Pei Qi is one of the controlling Shareholders of the Company, for better corporate administration and business operation, Mr. Chen, was appointed as the honorary chairman of the Group. He has extensive experience in importation and production of apparels. He is primarily responsible for the overall strategic planning of the Group. He will not exercise the rights and powers of the chairman of the Board as stipulated in the articles of association of the Company. He was a teacher in No. 2 Textile Industry School (上海第二紡織工業學校). In April 1989, he went to Australia and was elected as the associate of the Institution of Engineers, Australia and the graduate of the Society of Engineering Associates in November 1991. In November 1994, he incorporated APAC International Pty Ltd. in Melbourne, a company engaged in import and export of textiles between China and Australia, and assumed the position of the chairman of the board. In January 2008, he incorporated Great Dragon (Asia Pacific) Limited (華龍(亞太)有限公司) and assumed the position of executive director of the company. Mr. Chen obtained a bachelor's degree in textile engineering in January 1982 from Donghua University (東華大學) (formerly known as East China Engineering College of Spinning (上海華東紡織工學院)). He was appointed as a non-executive Director on 8 September 2010.

Mr. Li Shu Jun (李曙軍), aged 39, is the non-executive director of the Group. Prior to his involvement with the Company, he has been a director of TB International Limited, a company 100% owned by Trustbridge Partners II, L.P., a Cayman Islands based private equity investment fund since February 2007. He was a director of Yingli Green Energy Holding Company Limited, a New York Stock Exchange listed company, from September 2006 to August 2008. He served as a director of the board, chief financial officer, vice president, director of investment and overseas business at Shanda Interactive Entertainment Ltd., a NASDAQ-listed online game operator based in China, from March 2002 through June 2006. He was a project manager of the international business department at China Southern Securities Co., Ltd., a securities brokerage, from 1997 through 2000. Mr. Li received his bachelor degree in English from Hebei Normal University (河北師範大學) and his master's degree in economics from Nankai University (南開大學) in China. He obtained his Ph.D. in history of economic theory in 2007 from Nankai University (南開大學). He was appointed a non-executive Director on 8 September 2010.

Independent non-executive Directors

Mr. Lee Ted Tak Tai (李德泰), aged 60, is the independent non-executive Director and was appointed to the Board on 8 September 2010. He is now managing director of T Plus Capital Limited (泰伽投資有限公司) which is engaged in the provision of strategic, financial and business development advisory services. Mr. Lee has extensive experience in providing audit and accounting services to international and multinational companies. He is an independent director and audit committee chairman of China Ming Yang Wind Power Group Limited listed on U.S. New York Stock Exchange. He was an independent director and audit committee chairman of Chemspec International Limited, a specialty chemical manufacturing company based in Shanghai and listed on the U.S. New York Stock Exchange. He had also served as executive director at Prax Capital (普凱投資基金), which is a private equity firm specializing in China-focused investments from September 2007 to April 2009. Prior to that, he had moved from the United States to Asia and was a senior partner at Deloitte. Mr. Lee graduated from California State University, Fresno in 1973 with a bachelor degree in accounting and University of Southern California in 1979 with a MBA degree in finance and accounting. He is a US certified public accountant (inactive). He is also a member of American Institute of Certified Public Accountants, California Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants and American Chamber of Commerce.

Dr. Jiang Chang Jian (蔣昌建), aged 45, graduated with a bachelor degree in 1988 from the Political Education Department of Anhui Normal University, a master degree in 1993 from the Department of International Politics of Fudan University and a doctorate degree in 1997 from the Department of International Politics of Fudan University. He also participated in a post-doctorate program from 1998 to 1999 as a Fulbright Visiting Scholar from the Political Science Department of Yale University. From 1988 to 1990, Dr. Jiang was a teaching staff of the High School affiliated to Anhui Normal University. Dr. Jiang has been teaching in the School of International Relations and Public Affairs of Fudan University since 1997. He is also a visiting scholar of Vrije Universiteit Brussel, Belgium and the SciencesPo. Paris, France.

In addition, Dr. Jiang serves as a supervisor of the Foundation pour l'innovation politique; a member of the Shanghai Informatization Expert Committee, the vice team leader of the Shanghai Community Informatization Expert Team; and a council member of the Shanghai Creative Industry Association. Dr. Jiang is also a member of the Expert Committee of the China General Chamber of Commerce.

Mr. Li Zhi Qiang (李志強), aged 43, is the independent non-executive Director and was appointed to the Board on 8 September 2010. Mr. Li Zhi Qiang obtained a master degree of law degree in Fudan University (復旦大學) in July 1996. Mr. Li Zhi Qiang is a qualified PRC lawyer and the founder and senior partner of Jin Mao Partners. He is an arbitrator of both the China International Economic and Trade Arbitration Commission and the Shanghai Arbitration Commission. He is also an executive member of the counsel of Company Law Professional Committee for Shanghai International Business Law Society. He is also a member and a council member of Shanghai Youth Entrepreneur Association (上海市青年企業家協會) and was named as "Shanghai Ten Outstanding Young People" (上海十大傑出青年) in 2001.

Senior Management

Mr. Lv Yi Hao, also known as **Mr. Lv Mao Long (呂奕昊, 又名呂茂龍)**, aged 31, is the vice president and one of the authorized representatives of the Company. He is also one of the joint company secretaries and chief administrative officer of the Company. He was appointed as a director of Shanghai Boshiwa in May 2010. He has six years' experience in retail industry and is now primarily responsible for coordinating investor relations, legal affairs, administrative affairs, public relations and brand planning and management. Mr. Lv joined the Group in June 2006 and has been an assistant to the president ever since. Prior to joining the Group, from September 2004 to June 2006, he was the general manager assistant of Shanghai JP-Dragon Enterprise Group (上海建配龍企業集團). Mr. Lv obtained his bachelor degree in International Economic Law from East China University of Political Science and Law (華東政法大學) in July 2002. His current social undertakings include member of the China Youth Entrepreneur Association (中國青年企業家協會), member of Shanghai Youth Federation (上海市青年聯合會), council to Shanghai Youth Entrepreneur Association (上海青年企業家協會) and member of the Youth Federation of Yangpu District, Shanghai (上海市楊浦區青年聯合會).

Mr. Zhang Xiao Qing (張曉慶), aged 37, is the vice president and chief financial officer of the Company. He has over 15 years of experience in finance, auditing and accounting, including both inhouse working experience and private practice experience for the accounting firm, and is primarily responsible for the overall financial and accounting affairs of the Group. Mr. Zhang joined the Group in July 2008. Prior to joining the Group, he was a senior auditor in Deloitte Touche Tohmatsu Limited from September 1995 to January 1999. From February 1999 to July 2004, he was the financial manager of Mitsubishi Corporation (China) Investment Co., Ltd. (三菱商事(中國)投資有限公司). From July 2004 to December 2005, he was the financial manager of The Stanley Works (Shanghai) Co., Ltd. (史丹利五金工具(上海)有限公司). From January 2006 to July 2008 he was the partner of Yingtong Financial Consulting Co., Ltd. (盈通財務諮詢有限公司). Mr. Zhang obtained the qualification of certified public accountant from the Chinese Institute of Certified Public Accountants in 1999. He completed the postgraduate courses in civil and commercial law of Graduate School of Renmin University of China (中國人民大學) in October 2008.

Ms. Zou Shi Ping (鄒世萍), aged 33, joined the Group in April 2008 and acted as the marketing director and assistant to chief operations officer of the Company. Ms. Zou is mainly responsible for assisting the chief operations officer with sales and marketing, as well as operations of the sales channel of the Group's 365 stores. Ms. Zou has over 6 years of experience in corporate management and administration. From November 2006 to March 2008, she worked as the assistant to general manager of Shanghai Puzhiling Food Co., Ltd. (上海浦之靈食品有限公司) and her responsibility were mainly assisting the general manager with administrative affairs. She was employed as the manager of administration and human resources department of Shanghai Golden Eagle International Shopping Center Company Limited (上海金鷹國際購物中心有限公司) from October 2005 to October 2006. She also worked as the human resources manager of Shanghai Bi Building Decoration Co., Ltd. (上海比建築裝潢有限公司) from June 2004 to September 2005. Ms. Zou graduated from Tonghua Normal University (通化師範學院) in June 2001 with a bachelor's degree in education of ideology and politics. She is currently participating in the MBA programme of Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院).

Mr. Wang Meng (王萌), aged 33, joined the Group in October 2008 and acted as the human resource director of the Company. Mr. Wang is mainly responsible for general human resource affairs of the Company. Mr. Wang has obtained extensive experience in human resource management through his past working experience and academic study. Prior to joining the Group, he worked as HR manager and general affairs manager of Zhao Yang Boiler Factory which is affiliated with Shanghai Sifang Boiler Group Ltd. (上海四方鍋爐集團有限公司朝陽鍋爐廠) from May 2000 to July 2005. He was also employed as HR manager of department of medical care and health of Mingyuan Group Ltd. (銘源實業集團有限公司醫療健康事業部) from July 2005 to October 2008. Mr. Wang received CEMC certificate (高級職業經理人職業資格證書) in January 2008 and SCHRP certificate (高級人力資源管理師職業資格證書) in May 2009. Mr. Wang graduated from Beijing Distant Learning Institute of Economic Management (北京經濟管理函授學院) in July 2008 after completing his 3-year courses in human resource management.

Ms. Zhou Yi Ting (周毅婷), aged 36, joined Shanghai Rongchen Group (上海榮臣集團), the founding Shareholder of Shanghai Boshiwa in July 1996 and has been working with Shanghai Boshiwa since its establishment in July 1997 till now. Ms. Zhou has built up profound experience in the design and development of children's apparel, footwear and accessories during her employment with the Group for over 13 years. She is currently the design director of the Group's product design and development department and is responsible for overseeing the design and development of products under all of the Group's self-owned brands and licensed brands. She graduated from Shanghai Textile College (上海紡織高等專科學院) (now known as Donghua University (東華大學) in July 1996 with a diploma. She graduated from Fudan University (復旦大學) in July 2004 after completing her 3-year courses in international economic and trade. Her design ability and experience are also recognized by various design competitions she participated in. She won a silver medal in the Second National Children's Apparel Design Competition (全國第二屆童裝設計大賽) in 1997. She also won the excellence award in the "Yaduo Cup" National Children's Apparel Design Competition ("雅多杯"全國童裝設計大賽) in 2000 and the "China Cup • Johney Bolggs" International Children's Wear Design Contest ("中華杯 • 喬洛"國際童裝設計大賽) in 2002 respectively. In 2004, she was recognized as one of the top 10 designers of the 2004 Shanghai International Fashion Week (上海國際時裝周).

Ms. Zhang Liping (張莉萍), aged 45, joined the Company in April 2001 and has successively assumed the positions of Manager for Northwest China and Manager for Shanghai. She is currently the sales director of the Company and is mainly responsible for marketing channels management and expansion. Ms. Zhang has over 9 years experience in marketing and sales management in the Group. From 1986 to 2001, she worked at Shanghai No.1 Knitwear Factory (上海第一毛衫廠) and had been assisting the manager of the sales and marketing affairs of the factory. Ms. Zhang received a certificate in Chinese studies from Shanghai No. 2 College of Education (上海第二教育學院) in July 1988.

Mr. Shen Jun (沈鈞), aged 35, joined the Company in October 1998 and has successively assumed the positions of sales manager, the Group's 365 supply manager and vice purchasing director of the Company since then. He is currently the purchasing director of the Company and is mainly responsible for purchasing activities of the Company. Mr. Shen has over 12 years experience in sales and purchasing of children's products and has established sound relationship between the Group and the Group's major OEMs, ODMs and suppliers. Prior to joining the Company, Mr. Shen worked as project manager of New Continent Communication Co., Ltd. (新大陸傳播有限公司) from July 1996 to September 1998. Mr. Shen graduated from Fudan University (復旦大學) in July 2003 after completing his 3-year courses in international economic and trade.

Mr. Wang Jianxun (王建勛), aged 31, joined the Company in April 2008. Mr. Wang Jianxun is currently the executive director. Prior to joining the Company, Mr. Wang Jianxun has obtained extensive experience in retail industry logistics through his six years working experience in logistics industry, as well as his academic study. He worked at Far Eastern Industry (Shanghai) Ltd. (遠紡工業(上海)有限公司) from December 2001 to June 2002. From July 2002 to March 2008, he worked as the manager of the customer service department of Shanghai Quanshitong Logistics Co., Ltd. (上海全世通物流有限公司). Mr. Wang Jianxun graduated from Tongji University (同儕大學) in January 2009 after completing his 3-year courses in logistics management.

Report of the Directors

The directors of the Company (the "Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is developing and retailing of children's products which included children's apparel, children's household products and children's fast moving consumable goods in China. The principal activities and other particulars of the subsidiaries of the Company are set out in note 1 to the financial statements.

DIVIDENDS

The Directors recommended a payment of a final dividend equivalent to RMB1.4 cents per Share for the year ended 31 December 2010. Such proposal is pending approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on or before 30 June 2011. The record date and closure of books for determining entitlement to final dividends and attending the annual general meeting will be announced in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 3 June 2011 to Wednesday, 8 June 2011 (both dates inclusive) during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 June 2011.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 25.3% of the total sales. The top five suppliers accounted for approximately 55.8% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 6.5% of the total sales and the Group's largest supplier accounted for approximately 35.5% of the total purchases for the year.

At no time during the year have the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The result of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at 31 December 2010 are set out in the financial statements on pages 63 to 123.

DISTRIBUTABLE RESERVE

The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB2.88 billion as at 31 December 2010.

The Directors recommend a payment of a final dividends equivalent to RMB1.4 cents per Share for the year ended 31 December 2010.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

DIRECTORS

The Directors during the year ended 31 December 2010 and up to the date of this report were:

Executive Directors

Mr. Zhong Zheng Yong *(Chairman and Chief executive officer)* (appointed on 8 September 2010)
Ms. Chen Li Ping *(Chief operations officer and executive vice president)* (appointed on 8 September 2010)

Non-executive Directors

Mr. Chen Pei Qi *(Honorary chairman)* (appointed on 8 September 2010)
Mr. Li Shu Jun (appointed on 8 September 2010)

Independent non-executive Directors

Mr. Lee Ted Tak Tai (appointed on 8 September 2010)
Dr. Jiang Chang Jian (appointed on 3 March 2011)
Mr. Li Zhi Qiang (appointed on 8 September 2010)
Dr. Rock Jin (appointed on 8 September 2010 and resigned on 17 February 2011)

Pursuant to article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

By virtue of article 83(3) of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. All of the Directors, namely Mr. Zhong Zheng Yong, Ms. Chen Li Ping, Mr. Chen Pei Qi, Mr. Li Shu Jun, Mr. Lee Ted Tak Tai, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang, shall hold office only until the forthcoming annual general meeting of the Company and shall then be eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Each of the Directors has entered into a service contract with the Company for an initial term of three years (for the executive and non-executive Directors) and of two years (for the independent non-executive Directors) commencing from the date of listing of the Company (the "Listing Date") on 29 September 2010 on the Stock Exchange, except for Dr. Jiang Chang Jian whose service contract commenced on 3 March 2011. The service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests or short positions of the Directors and chief executives in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Pei Qi (note)	Interests in controlled company	602,400,000 (L)	29.03%

(L): Long position

Note: Chen Pei Qi is deemed to be interested in the Shares held by Joyork International Limited by virtue of Joyork International Limited being controlled by Chen Pei Qi.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (with the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The following is a summary of principal terms of the share option scheme of the Company (the "Share Option Scheme") conditionally approved by a resolution of the Shareholders passed on 8 September 2010 and adopted by a resolution of the Board on 8 September 2010. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to motivate selected Eligible Persons (as defined in the following paragraph) to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Board may, at its absolute discretion, offer options to subscribe to such number of Shares in accordance with the terms set out in the Share Option Scheme to the following persons (the "Eligible Persons"):

(a) any executive Director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work fulltime or part-time for any member of the Group (the "Executive");

(b) a Director (including an independent non-executive director) of any member of the Group;

(c) a Direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate of any of the foregoing persons.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at 29 September 2010, i.e. 200,000,000 Shares. No options may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 30 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from 29 September 2010, after which no further options will be granted or offered.

Apart from the foregoing, at no time during the year was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

There is no option outstanding, granted, cancelled and lapsed during the year ended 31 December 2010.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules on the Stock Exchange:

Name of Substantial Shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Joyork International Limited[(1)]	Beneficial owner	602,400,000 (L)	29.03%
TB International Limited[(2)]	Beneficial owner	559,950,000 (L)	26.99%
Trustbridge Partners II, L.P.[(2)]	Beneficial owner	559,950,000 (L)	26.99%
Hambo Group Limited[(3)]	Beneficial owner	184,350,000 (L)	8.88%
King Lion International (Hong Kong) Limited[(3)]	Interest in controlled corporation	184,350,000 (L)	8.88%
Shanghai King Lion Co. Ltd.[(3)]	Interest in controlled corporation	184,350,000 (L)	8.88%
Wang Shi Ming[(3)]	Interest in controlled corporation	184,350,000 (L)	8.88%
Fame Trend Investment Limited[(4)]	Beneficial owner	125,727,000 (L)	6.06%
Wang Xiao Feng[(4)]	Interest in controlled corporation	125,727,000 (L)	6.06%

(L): Long position

Notes:

(1) Chen Pei Qi is deemed to be interested in the Shares held by Joyork International Limited by virtue of Joyork International Limited being controlled by Chen Pei Qi.

(2) Trustbridge Partners II, L.P. is deemed to be interested in the Shares held by TB International Limited by virtue of TB International Limited being controlled by Trustbridge Partners II, L.P. Trustbridge Partners II, L.P. is an exempted partnership incorporated in the Cayman Islands.

(3) King Lion International (Hong Kong) Limited is deemed to be interested in the Shares held by Hambo Group Limited by virtue of Hambo Group Limited being controlled by King Lion International (Hong Kong) Limited. King Lion International (Hong Kong) Limited is owned as to 100% by Shanghai King Lion Co. Ltd., which is owned as to 75% by Wang Shi Ming.

(4) Wang Xiao Feng is deemed to be interested in the Shares held by Fame Trend Investment Limited by virtue of Fame Trend Investment Limited being controlled by Wang Xiao Feng.

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the public float required by the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-compete" below.

COMPLIANCE WITH THE DEED OF NON-COMPETE

Each of Joyork International Limited and Mr. Chen Pei Qi (collectively, the "Covenantors") confirmed that, as at 31 December 2010, it is in compliance with the terms of the deed of non-compete dated 8 September 2010 signed by each of them in favor of the Group. To monitor the compliance of the terms of the Deed of non-compete by each of the Covenantors, the independent non-executive Directors have reviewed, among others, the business activities undertaken by the Covenantors (if any) outside of the Group. Based on the result of such review, the independent non-executive Directors are satisfied that the Covenantors have complied with the terms of the Deed of Non-compete for the year ended 31 December 2010.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2010 are set out in note 27 to the financial statements.

HUMAN RESOURCES

The Company recognize the importance of a good relationship with employees and offers staff competitive remuneration packages. The remuneration payable to employees includes salaries and allowances.

The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

The Company adopted the Share Option Scheme to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Please refer to the paragraphs headed "Share Option Scheme" in this report for details of such scheme.

As at 31 December 2010, the Group employed 2,097 employees, the total staff costs amounted to RMB44.1 million (2009: RMB21.4 million). The Company maintains a Share Option Scheme for the purpose of providing incentives and rewards to the Eligible Persons for their contributions to the Group.

RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contriburte 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.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, other than the IPO and the exercise of over-allotment option, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial periods is set out in the financial highlight section on page 124 of this report.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

According to the Regulation on Administration of Foreign-Invested Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council of the PRC and became effective on 1 January 2002, as amended on 10 September 2008, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services. Internet information services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP license from the appropriate telecommunications authorities in order to carry on any commercial Internet information services operations in the PRC. In July 2006, the Ministry of Industry and Information Technology of the PRC issued a notice which prohibits ICP license holders from leasing, transferring or selling their licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for their illegal operation of telecommunications businesses in the PRC. The notice also requires that ICP license holders or their shareholders directly own the domain names and trademarks used by such ICP licence holders in their daily operations. For additional information regarding the notice mentioned above and other PRC regulations governing the value-added telecommunication services industry.

As a result of the restrictions on foreign investment in value-added telecommunication service industry set by the PRC laws and in order for the Group to be able to carry on its online store business through self-owned websites in the PRC, the Group has entered into a series of structure contracts (the "Structure Contracts") with Shanghai Desheng Information Technology Limited 上海得勝信息技術有限公司 ("Shanghai Desheng") and its shareholder, Mr. Zhong, the executive Director and the chief executive officer of the Company. These Structure Contracts enable the Group, through its wholly-owned subsidiary, Shanghai Boshiwa, to exercise control over Shanghai Desheng and to consolidate the company's financial results into the Group's results. By way of the Structure Contracts, the Proxy Agreement gives the individual designated by the Group the irrevocable right to exercise the proxy right of the shareholder of Shanghai Desheng; the Management and Operation Consulting Agreement provides the Group the right to recommend for the appointment of directors, officers and senior management to Shanghai Desheng; the Exclusive Technical Consulting and Services Agreement allows Shanghai Boshiwa to determine the amount of the service fees to be paid by Shanghai Desheng to ensure that all revenue and capital distributions made by Shanghai Desheng flow to Shanghai Boshiwa; the Exclusive Call Option Agreement gives the Group the exclusive option to acquire the equity interests of Shanghai Desheng at anytime to the extent permitted by the PRC laws; and the Equity Interests Pledge Agreement guarantees the performance by Shanghai Desheng of its obligation to pay the service fees under the Exclusive Technical Consulting and Services Agreement. Shanghai Desheng is regarded as a special purpose entity of the Group in which the Group has the power to govern its financial and operating policies so as to obtain benefits from its activities. Accordingly, the Group has the right to consolidate the financial results of Shanghai Desheng as if it is a wholly owned subsidiary of the Group as set out in note 1 to the financial statements.

Mr. Zhong, an executive Director and the chief executive officer of the Company, beneficially owns 100% equity interests in Shanghai Desheng. Accordingly, Shanghai Desheng is an associate of Mr. Zhong and therefore a connected person of the Company. Certain transactions under the Structure Contracts would therefore be considered as connected transactions and, unless an exemption is available under the Listing Rules, the Company must comply with the applicable reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

In view of the Company's diversified sales channels and the aim to further develop Company's online stores sales channel, the Directors (including the independent non-executive Directors) are of the view that the Structure Contracts are fundamental to the legal structure for the operation of the online sales business through self-owned websites and are entered in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole. The Directors also believe that the Group's structure whereby the financial results of Shanghai Desheng are consolidated into the Group's financial statements as if it was the Group's wholly-owned subsidiary, and the economic benefit of its business flows to the Group, places the Group in a special position in relation to the connected transaction rules. Accordingly, notwithstanding that the Structure Contracts technically constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would not be appropriate and that it would be unduly burdensome and impractical for all transactions under the Structure Contracts to be subject to strict compliance with the requirements set out by Chapter 14A of the Listing Rules, including, amongst other things, the periodic announcement and approval of the independent shareholders of the Company.

The Company's legal advisers as to PRC laws have confirmed that subject to the disclosures in the section headed "Risk Factors" in the Company's prospectus, the Structure Contracts among Shanghai Boshiwa, Shanghai Desheng and its shareholder, Mr. Zhong, are valid and legally binding under, and will not result in any violation of, the existing PRC laws or regulations.

The Joint Sponsors (namely, UBS AG, Credit Suisse (Hong Kong) Limited and BOCOM International (Asia) Limited) are of the view that on the basis that the Company utilizes diversified sales channels for the sale of its products and aim to further develop its online stores sales channel, the Structure Contracts are fundamental to the legal structure for the operation of the online sales business through self-owned websites. The Joint Sponsors are also of the view that the continuing connected transactions under the Structure Contracts are entered in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole. Furthermore, the Joint Sponsors are of the view that the Structure Contracts are required to be of a duration of more than three years for the following reasons: (1) the Structure Contracts are to enable the Group, through its wholly-owned subsidiary, Shanghai Boshiwa, to exercise control over Shanghai Desheng and to consolidate Shanghai Desheng's financial results into the Group's results. The longer the term of the Structure Contracts would be, the more secure the Company's interests in Shanghai Desheng would be. Therefore, it would be in the interests of the Company and the Shareholders as a whole that the Structure Contracts are to be of such duration of more than three years; and (2) the Group intends that online sales will continue to be part of the business distribution channels in the future. The longer the term of the Structure Contracts would be, the less interruption would the Company suffer in the online sales, and it would be in the interests of the Company and the Shareholders as a whole. The Joint Sponsors consider that it is normal business practice for contracts of the type of the Structure Contracts of the Company to be of a duration of more than three years.

The Group has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of announcement, independent shareholders' approval, disclosure of maximum aggregate annual value and the basis, and fixed period for the agreements not exceeding three years, as set out in Chapter 14A of the Listing Rules in respect of the continuing connected transactions under the Structure Contracts, for so long as Shares are listed on the Stock Exchange and with the following conditions:

- no changes without independent non-executive Directors' approval: except as described below, no changes to the Structure Contracts will be made without the approval of the independent non-executive Directors.

- no changes without independent shareholders' approval: no changes to the Structure Contracts will be made without the approval of the Company's independent shareholders.

- economic benefits flexibility: the Structure Contracts continue to enable the Group to receive the economic benefits derived by Shanghai Desheng through: (i) the Group's potential right (if and when PRC law releases the restriction on foreign investment in value-added telecommunications services) to acquire Shanghai Desheng's equity interests; (ii) the business structure under which the revenue generated by the cooperation between the Group and Shanghai Desheng is mainly retained by the Group; and (iii) the Group's right to govern the financial and operating policies as well as, in substance, all of the voting rights of Shanghai Desheng.

- renewal and cloning: the framework of the Structure Contracts may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign-owned enterprise or operating company that the Group might wish to establish, without obtaining the approval of the Company's shareholders, on substantially the same terms and conditions as the Structure Contracts. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company that the Group may establish upon renewal and/or cloning of the Structure Contracts will be treated as the Group's connected persons and transactions between these connected persons and the Group other than those under similar Structure Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant laws, regulations and approvals of the PRC.

- ongoing reporting and approvals: the Group will disclose details relating to the Structure Contracts on an ongoing basis as follows:

  — details of the Structure Contracts, including parties to the contracts, brief description of the contracts and their purposes, major terms of the contracts and the transaction amount (if applicable) under each contract during the year, will be disclosed in the Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.

  — the independent non-executive Directors will review the Structure Contracts annually, and confirm in the Company's annual reports and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structure Contracts so that the revenue generated by Shanghai Desheng has been mainly retained by the Group; (ii) no dividends or other distributions have been made by Shanghai Desheng to its shareholders; and (iii) any new Structure Contracts entered into, renewed or reproduced between the Group and Shanghai Desheng during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company's shareholders as a whole.

  — the Group's auditors will carry out review procedures annually on the transactions under the Structure Contracts and will provide a letter to the Directors with a copy to the Stock Exchange, at least ten business days before the bulk-printing of the Company's annual report, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structure Contracts and that no dividends or other distributions have been made by Shanghai Desheng to its shareholders.

- — for the purposes of Chapter 14A of the Listing Rules, Shanghai Desheng will be treated as a wholly-owned subsidiary of the Company, and the respective directors, chief executives or substantial shareholders (as defined in the Listing Rules) of Shanghai Desheng and its respective associates will be connected persons, and transactions between these connected persons and the Group, other than those under the Structure Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.

- — Shanghai Desheng will undertake that it will provide the Group's management and auditors with full access to its relevant records for the purpose of the Group's auditors' review of the connected transactions.

In addition to the current Structure Contracts, there may be other contracts in the future between the Group and Shanghai Desheng. Given that the financial results of Shanghai Desheng are consolidated into the Group's financial results, and given the relationship between the Group and Shanghai Desheng created by the Structure Contracts, transactions between the Group and Shanghai Desheng will be exempted from the "continuing connected transactions" provisions set out in Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed these connected transactions and confirmed that such transactions were:

— entered into in the ordinary and usual course of business of the Group;

— conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms on less favourable to the Group than terms available to or from independent their parties; and

— in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors have requested the auditor of the Company to perform certain agreed upon procedures on the continuing connected transactions and have received a letter from the auditor confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structure Contracts and that no dividends or other distributions have been made by Shanghai Desheng to its shareholders.

Save as disclosed above, no contracts of significance to which the Company, its subsidiaries, holding companies or associated companies was a party subsisted at any time during the year or at the end of the year.

Pursuant to the Notice on Relevant Issues Concerning Approval Administration on Sale of Products by Foreign Invested Enterprises via Internet Websites or Automats (the "Notice") issued by the General Office of the Ministry of Commerce of the PRC (the "MOFCOM") on 19 August 2010, Shanghai Boshiwa was allowed to conduct online sales through its self-owned website after making the appropriate filing with Shanghai Communication Administration.

USE OF PROCEEDS

The net proceeds from the global offering, after deducting underwriting fees and expenses have been and will be used as per our plans as listed in our prospectus including:

Use of IPO Proceeds		Allocated *(RMB million)*	Utilized *(RMB million)*	Balance *(RMB million)*
1.	Further expansion of retail network	711	250	461
2.	Media advertising, brand promotion and marketing activities	178	15	163
3.	Expanding logistic facilities and upgrading current information management system	178	25	153
4.	Establishing a research and development centre	88	15	73
5.	Implementing expansion plan, including acquiring companies that are domestically and internationally well-recognized children's product brand owners or retailers	266	—	266
6.	Repayment of our existing bank borrowings	178	178	—
7.	Providing funding for working capital and other general corporate purposes	178	120	58
Total		1,777	603	1,174

The Directors do not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

AUDITOR

Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Zhong Zheng Yong
Chairman
Hong Kong, 30 March 2011

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. This report outlines the principles and the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, which have been adopted by the Group.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee, a remuneration committee and a nomination committee with defined terms of reference. The terms of reference of these Board committees are available upon request.

Throughout the year ended 31 December 2010, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules except the issue mentioned in the following paragraph. According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. For the year ended 31 December 2010, Mr. Zhong Zheng Yong is both the chairman of the Board and the chief executive officer of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and all Directors have confirmed that they have complied with the Model Code throughout the period under review.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at 31 December 2010, the Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board was as follows:

Executive Directors

Mr. Zhong Zheng Yong *(Chairman and Chief executive officer)* (appointed on 8 September 2010)
Ms. Chen Li Ping *(Chief operations officer and executive vice president)* (appointed on 8 September 2010)

Non-executive Directors

Mr. Chen Pei Qi *(Honorary chairman)* (appointed on 8 September 2010)

Mr. Li Shu Jun (appointed on 8 September 2010)

Independent non-executive Directors

Mr. Lee Ted Tak Tai (appointed on 8 September 2010)

Dr. Jiang Chang Jian (appointed on 3 March 2011)

Mr. Li Zhi Qiang (appointed on 8 September 2010)

Dr. Rock Jin (appointed on 8 September 2010 and resigned on 17 February 2011)

The biographical details of all Directors are set out in pages 32 to 37 of this report. Save as disclosed in this report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board brings a variety of experiences and expertise to the Company.

Functions of the Board

The principal function of the Board is to consider and approve strategies, financial objectives, annual budget, investment proposals of the Group and to assume the responsibilities of corporate governance of the Group. The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

Board meetings and Board Practices

During the year ended 31 December 2010, the Board held 2 meetings, one of the meetings was regular Board Meeting since the Shares of the Company were listed on the main board of the Stock Exchange on 29 September 2010.

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

For the year ended 31 December 2010, 2 Board meetings were held. Details of the attendance of Directors are as follows:

Name of the Director	
Executive Directors	
Mr. Zhong Zheng Yong *(Chairman and Chief executive officer)* (appointed on 8 September 2010)	2/2
Ms. Chen Li Ping *(Chief operations officer and executive vice president)* (appointed on 8 September 2010)	2/2
Non-executive Directors	
Mr. Chen Pei Qi *(Honorary chairman)* (appointed on 8 September 2010)	2/2
Mr. Li Shu Jun (appointed on 8 September 2010)	2/2
Independent non-executive Directors	
Mr. Lee Ted Tak Tai (appointed on 8 September 2010)	2/2
Dr. Jiang Chang Jian (appointed on 3 March 2011)	0/0
Mr. Li Zhi Qiang (appointed on 8 September 2010)	2/2
Dr. Rock Jin (appointed on 8 September 2010 and resigned on 17 February 2011)	2/2

Directors' Appointment, Re-election and Removal

Each of the Directors has entered into a service contract with the Company for an initial term of three years (for the executive and non-executive Directors) and of two years (for the independent non-executive Directors) commencing from the Listing Date as 29 September 2010 on the Stock Exchange, except for Dr. Jiang Chang Jian, the independent non-executive Director, who commenced employment with the Company since 3 March 2011. The service contract will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

In compliance with the code provision in A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of article 83(3) of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the CG Code, all directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Independent non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors. Among the three independent non-executive Directors, one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Lee Ted Tak Tai, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang to be independent.

Chairman and Chief Executive Officer

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2010, Mr. Zhong Zheng Yong is both the Chairman of the Board and the chief executive officer.

The Board considered that Mr. Zhong Zheng Yong has in-depth knowledge and experience in children's product industry and is the most appropriate person to manage the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

Delegation of Powers

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

BOARD COMMITTEES

Audit Committee

Composition

The audit committee of the Company (the "Audit Committee") was established on 8 September 2010 with written terms of reference that are in compliance with Rule 3.21 of the Listing Rules. At present, the Audit Committee consists of three members, all of the members are independent non-executive Directors, namely Mr. Lee Ted Tak Tai, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang. The chairman of the Audit Committee is Mr. Lee Ted Tak Tai, who has professional qualification in accounting. Dr. Rock Jin ceased to be a member of the Audit Committee with effect from 17 February 2011.

The primary duties of the Audit Committee is mainly responsible for making recommendations to the Board for various matters including the appointment and resignation of external auditors, reviewing the financial statements and the material opinions in those financial statements and monitoring the internal control procedures of the Company.

The Audit Committee reviewed the accounting standards and practices adopted by the Group, and discussed with the management about the internal control and financial reporting matters, including reviewing the financial statements and annual results for the year of 2010.

As the Company was listed on 29 September 2010, the Audit Committee did not conduct any meeting during the year ended 31 December 2010.

Remuneration Committee

Composition

The remuneration committee of the Company (the "Remuneration Committee") on 8 September 2010 with written terms of reference that are in compliance with the Listing Rules. At present, the Remuneration Committee consists of three members, namely Mr. Zhong Zheng Yong, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang, majority of the members are independent non-executive Directors. Mr. Zhong Zheng Yong currently is the chairman of the Remuneration Committee. Dr. Rock Jin ceased to be a member of the Remuneration Committee with effect from 17 February 2011.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; and ensure none of the Directors determine their own remuneration.

As the Company was listed on 29 September 2010, the Remuneration Committee did not conduct any meeting during the year ended 31 December 2010.

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages include basic salaries and discretionary bonuses.

The primary duties of the Remuneration Committee to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; ensure none of the Directors determine their own remuneration.

The Share Option Scheme was conditionally approved by a resolution of the Shareholders passed on 8 September 2010 and adopted by a resolution of the Board on 8 September 2010. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to motivate eligible persons to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Company believes that by offering the eligible persons a shareholding stake in the Company and the interests of the eligible persons and the Company become aligning, thereby the eligible persons with additional incentives to improve the Company's performance.

Nomination Committee

Composition

The nomination committee of the Company (the "Nomination Committee") was established on 8 September 2010. At present, the Nomination Committee consists of three members, namely Mr. Zhong Zheng Yong, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang, majority of which are independent non-executive Directors. Mr. Zhong Zheng Yong currently is the chairman of the Nomination Committee. Dr. Rock Jin ceased to be a member of the Nomination Committee with effect from 17 February 2011.

The primary duty of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board.

As the Company was listed on 29 September 2010, the Nomination Committee did not conduct any meeting during the year ended 31 December 2010.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2010, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditor's Remuneration

During the year ended 31 December 2010, the remuneration paid or payable to the Company's auditor, Deloitte Touche Tohmatsu, in respect of their audit and non-audit services was as follows:

Type of Services	RMB million
Audit services	1.1
Non-audit services (listing fee)	3.9
Total	5.0

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control systems. The Company has reviewed internal control issues, covering all material controls, including financial and operation for the year ended 31 December 2010. Last year, Deloitte Touche Tohmatsu CPA Ltd. provided internal control review services to the Group in connection with the Group's preparation of listing, which is non-audit service by nature, at a fee of HK$400 thousand.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all documents on the Company's website at http://www.boshiwa.cn. The Board continues to maintain regular dialogues with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The Directors and the committee members are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

Shareholders' Right

The Company shall adhere to the amendments to the Listing Rules effective from 1 January 2009 such that all votes of the Shareholders at general meetings will be taken by poll. The results of voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's correspondence address in Hong Kong.

Deloitte.
德勤

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TO THE MEMBERS OF
BOSHIWA INTERNATIONAL HOLDING LIMITED
博士蛙國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Boshiwa International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 123, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	7	**1,408,219**	630,178
Cost of sales		**(782,497)**	(363,853)
Gross profit		**625,722**	266,325
Investment income	8	**2,157**	612
Other gains and losses	8	**9,130**	6,233
Distribution and selling expenses		**(171,030)**	(71,910)
Administrative and general expenses		**(76,494)**	(24,118)
Interest on borrowings wholly repayable within five years		**(21,677)**	(6,365)
Profit before tax	9	**367,808**	170,777
Income tax expense	11	**(116,796)**	(49,483)
Profit for the year attributable to owners of the Company		**251,012**	121,294
Other comprehensive expense for the year			
Fair value loss on available-for-sale investments		**(2,867)**	—
Total comprehensive income for the year attributable to owners of the Company		**248,145**	121,294
Earnings per share — basic (RMB cents per share)	12	**15.23**	8.69

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**190,271**	81,286
Prepayments for acquisition of property, plant and equipment	15	**64,639**	92,700
Prepayments for acquisition of computer software	15	**24,150**	24,150
Prepaid lease payments — non-current	16	**6,151**	6,411
Investment property	17	**3,178**	3,299
Intangible assets	18	**10,727**	10,469
Loan receivables	19	**—**	38,610
Deferred tax assets	20	**9,474**	1,154
Investments in securities	21	**294,045**	—
Rental deposits		**7,253**	—
TOTAL NON-CURRENT ASSETS		**609,888**	258,079
CURRENT ASSETS			
Inventories	22	**354,047**	148,786
Trade and other receivables	23	**480,865**	298,338
Prepaid lease payments — current	16	**260**	260
Loan receivables	19	**19,000**	—
Investments in securities	21	**31,789**	—
Amount due from a former shareholder	24	**—**	1,029
Amount due from a related party	24	**2,280**	—
Pledged bank deposits	25	**2,625**	25,000
Bank balances and cash	25	**1,690,155**	65,762
TOTAL CURRENT ASSETS		**2,581,021**	539,175
TOTAL ASSETS		**3,190,909**	797,254

	NOTES	2010 RMB'000	2009 RMB'000
CURRENT LIABILITIES			
Trade and other payables	26	**203,299**	115,706
Tax liabilities		**71,193**	39,153
Dividends payable		**—**	27,058
Short-term borrowings	27	**10,000**	263,800
Amount due to a former shareholder	24	**—**	680
Deferred revenue	28	**24,752**	—
TOTAL CURRENT LIABILITIES		**309,244**	446,397
Net current assets		**2,271,777**	92,778
Total assets less current liabilities		**2,881,665**	350,857
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	**1,500**	9,553
Total net assets		**2,880,165**	341,304
CAPITAL AND RESERVES			
Share capital	29	**904**	1
Reserves		**2,879,261**	341,303
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,880,165**	341,304

The consolidated financial statements on pages 63 to 123 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Investments revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	99,463	–	1,104	10,956	–	70,271	181,794
Profit and total comprehensive income for the year	–	–	–	–	–	121,294	121,294
Issue of new shares of the Company	1	–	–	–	–	–	1
Capital contribution from owners of the Company	41,017	–	–	–	–	–	41,017
Elimination of paid-in capital upon group restructuring *(note a)*	(140,480)	–	140,480	–	–	–	–
Appropriation to statutory surplus reserve *(note b)*	–	–	–	7,198	–	(7,198)	–
Dividends	–	–	–	–	–	(2,802)	(2,802)
Balance at 31 December 2009	**1**	**–**	**141,584**	**18,154**	**–**	**181,565**	**341,304**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**251,012**	**251,012**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**(2,867)**	**–**	**(2,867)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(2,867)**	**251,012**	**248,145**
Capital contribution from owners of the Company	**–**	**–**	**188,873**	**–**	**–**	**–**	**188,873**
Acquisition of a special purpose entity *(note c)*	**–**	**–**	**868**	**–**	**–**	**–**	**868**
Capitalisation issue *(note 29)*	**655**	**(655)**	**–**	**–**	**–**	**–**	**–**
Issues of shares pursuant to initial public offering *(note 29)*	**248**	**2,470,737**	**–**	**–**	**–**	**–**	**2,470,985**
Transaction costs attributable to issue of new shares	**–**	**(113,010)**	**–**	**–**	**–**	**–**	**(113,010)**
Appropriation to statutory surplus reserve *(note b)*	**–**	**–**	**–**	**27,923**	**–**	**(27,923)**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**(257,000)**	**(257,000)**
At 31 December 2010	**904**	**2,357,072**	**331,325**	**46,077**	**(2,867)**	**147,654**	**2,880,165**

Notes:

(a) Group restructuring

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

(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 at no less than 10% out of net profit after taxation of the statutory financial statements of Shanghai Boshiwa and its PRC subsidiaries while the amounts and allocation basis are decided by each board of directors annually. The statutory surplus reserve fund can be used to make up prior years' losses, if any, and can be applied in conversion into capital by means of capitalization issue.

(c) Capital reserves

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**367,808**	170,777
Adjustments for:		
Finance costs	**21,677**	6,365
Investment income	**(2,157)**	(612)
Net unrealised foreign exchange loss	**22,057**	—
Loss on disposal of property, plant and equipment	**31**	184
(Recovery) impairment loss recognised in respect of trade and other receivables	**(1,269)**	2,003
Depreciation and amortisation of property, plant and equipment and investment property	**16,774**	6,362
Amortisation of prepaid lease payments	**260**	258
Amortisation of intangible assets	**19**	—
Write-down of inventories	**9,751**	62
Operating cash flows before movements in working capital	**434,951**	185,399
Increase in inventories	**(215,012)**	(59,561)
Increase in trade and other receivables	**(181,244)**	(177,307)
Increase in rental deposits	**(6,073)**	—
Increase in trade and other payables	**106,217**	81,714
Increase in deferred revenue	**24,752**	—
Cash generated from operations	**163,591**	30,245
Interest paid	**(21,677)**	(6,365)
Income taxes paid	**(101,129)**	(22,887)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**40,785**	993

	NOTES	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES			
Interest received		**927**	42
Rentals received from investment property		**593**	570
Proceeds from disposal of property, plant and equipment		**481**	331
Proceeds from disposal of subsidiaries	31	**—**	12,700
Decrease (increase) in pledged bank deposits		**22,375**	(15,000)
Advance of loan receivables		**(19,000)**	(38,610)
Payment for acquisition of property, plant and equipment		**(33,450)**	(17,568)
Prepayments for acquisition of property, plant and equipment		**(64,639)**	(92,700)
Payments for intangible assets		**(277)**	(24,150)
Increase in amount due from a former shareholder/ related party		**(1,251)**	(487)
Payments to acquire investments in securities		**(328,701)**	—
Investment income received		**311**	—
NET CASH USED IN INVESTING ACTIVITIES		**(422,631)**	(174,872)
FINANCING ACTIVITES			
Proceeds from borrowings		**747,670**	314,300
Proceeds from capital contribution by a former shareholder		**119,933**	41,017
Advance from a former shareholder		**—**	680
Proceeds from issue of new shares		**2,470,985**	1
Payments of transaction costs attributable to issue of new shares		**(93,024)**	—
Repayments of borrowings		**(1,001,470)**	(135,500)
Dividends paid		**(215,798)**	(3,778)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**2,028,296**	216,720
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,646,450**	42,841
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**65,762**	22,921
Effects of foreign exchange rate changes		**(22,057)**	—
CASH AND CASH EQULVALENTS AT 31 DECEMBER represented by bank balances and cash		**1,690,155**	65,762

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Boshiwa International Holding Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of Cayman Islands on 24 March 2009. Its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 29 September 2010. The address of the Company's registered office is Equity Trust Company (Cayman) Ltd, 1st Floor, Windward 1, Regatta Office Park, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands. The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are designing, sourcing and marketing of children's products.

Pursuant to a group restructuring to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange ("Group Restructuring"), on 3 September 2009, Great Dragon, the then shareholder of both the Company and Shanghai Boshiwa, transferred its 100% equity interest in Shanghai Boshiwa to Pacific Leader, the wholly-owned subsidiary of Kingman Holdings Limited ("Kingman") (which in turn is a wholly-owned subsidiary of the Company), for a consideration of US$18,000,000 (equivalent to RMB140,480,000). The consideration was settled by issuing 100,000 ordinary shares of the Company to Great Dragon. Details of the Group Restructuring were set out in the section headed "History and Corporate Structure" of the prospectus dated 16 September 2010 issued by the Company (the "Prospectus"). The Group Restructuring is a reorganisation of companies under common control. Accordingly, the Group resulting from the Group Restructuring including the Company and its subsidiaries is regarded as a continuing entity.

The consolidated statement of comprehensive income, the consolidated statement of cash flows and consolidated statement of changes in equity which are prepared in accordance with the principles of merger accounting, for the year ended 31 December 2009 include the financial statements of the companies now comprising the Group as if the group structure upon the completion of the Group Restructuring had been in existence throughout the year ended 31 December 2009 or since their respective dates of incorporation or establishment whichever is the shorter period.

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

The direct and indirect interests in the following subsidiaries held by the Company are as follows:

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

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

(1) The Group has the control and beneficial economic interests in Shanghai Desheng through a series of arrangements as detailed below:

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

In prior years, the PRC laws and regulations restrict foreign investors in business providing value added telecommunications services in the PRC. Shanghai Boshiwa and its subsidiaries could not be granted with the operating license for value added telecommunication services ("ICP license"). Shanghai Boshiwa and Boshiwa Enterprise ceased online sales business on 28 June 2010. Through a series of structure contracts (the "Structure Contracts"), Shanghai Boshiwa would conduct online sales through Shanghai Desheng and through its self-owned websites upon the granting of the ICP license.

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

The key provisions of the Structure Contracts are as follows:

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

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

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS – continued

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

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

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

Pursuant to the Notice on Relevant Issues Concerning Approval Administration on Sale of Products by Foreign Invested Enterprises via Internet Websites or Automats (the "Notice") issued by the General Office of the Ministry of Commerce of the PRC (the "MOFCOM") on 19 August 2010, Shanghai Boshiwa was allowed to conduct online sales through its self-owned website after making the appropriate filing with Shanghai Communication Administration.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[3]
IAS12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 24 (as revised in 2009)	Related Party Disclosures[5]
IAS 32 (Amendments)	Classification of Rights Issues[6]
IFRIC — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
IFRIC — Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 February 2010
7 Effective for annual periods beginning on or after 1 July 2010

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

New and revised Standards and Interpretations issued but not yet effective — continued

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. The directors of the Company are in the process of assessing the impact on the application of IFRS 9. The application of IFRS 9 may affect the results and the financial position of the Group.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and Interpretations issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Merger accounting for business combinations involving entities under common control — continued

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling parties' interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

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

Revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

The Group sells prepaid cards to customers through distributors. Users of prepaid cards are entitled to purchase goods from the Group's retail stores. The prepaid amount received by the distributors is recorded as other receivables, and concurrently, deferred revenue is recognised. Revenue is recognised upon actual usage of the card by the customers.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant, and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories 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 derecognised 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss in the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. 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 recognised in profit loss in the period in which they become receivable.

Retirement benefit costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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. Taxable profit differs from profit as reported in the consolidated statement 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 the reporting period.

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised for taxable temporary differences associated with 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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 realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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 recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially 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 derecognised 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 derecognised.

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).

Computer software

Computer software acquired separately and with finite useful life is carried at cost less accumulated amortisation and any accumulated impair losses. Amortisation for intangible assets with finite life is provided on a straight-line basis over their estimated useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised 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 recognised 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 recognised, 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 amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of tangible and intangible assets

At the end of the 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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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 or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments — continued

Financial assets

The Group's financial assets are classified into loans and receivables, held-to-maturity investment or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments — continued

Held-to-maturity investments

Held to maturity investment are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets 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.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments — continued

Impairment of financial assets — *continued*

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 recognised in profit or loss. When a trade or other 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.

For financial assets measured at amortised cost, 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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 amortised 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, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments — continued

Financial liabilities

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

Equity instruments

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

Derecognition

Financial assets are derecognised 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 in its entirety, 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 recognised 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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 3. The management reviews 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 realisable 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 has been provided at the end of the reporting period.

Trade and other receivables

As described in note 3, trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised 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 of the receivables according to their discussion with relevant customers. A significant deviation from management estimation may result in material change in impairment loss.

Deferred tax

As at 31 December 2009 and 2010, a total deferred tax asset of RMB2,223,000 and RMB10,630,000, respectively, in relation to write-down of inventories and doubtful debts, accrued payroll and other expenses, unrealised profits in inventories arising from intra-group transactions and tax losses has been recognised in the Group's consolidated statement of financial position. The realisability 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 recognised in profit or loss for the period in which such a reversal takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Key sources of estimation uncertainty – *continued*

Deferred tax – *continued*

Significant management estimation is required to determine the amount of deferred tax assets that can or cannot be realised, 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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of intangible assets was RMB10,469,000 and RMB10,604,000 as at 31 December 2009 and 2010, respectively, and no impairment loss was recognised during the year. Details of the impairment loss assessment are set out in note 18.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

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

6. FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities are as follows:

Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets:		
Available-for-sale investments	**294,045**	—
Held-to-maturity investment	**31,789**	—
Loan and receivables (including cash and cash equivalents)	**2,039,066**	406,323
	2,364,900	406,323
Financial liabilities:		
Amortised costs	**134,351**	380,378

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, loans and receivables (which includes loan receivables, trade and other receivables, amount due from a former shareholder, amount due from a related party, pledged bank deposits and bank balances and cash), trade and other payables, dividends payable, short-term borrowings and amount due to a former shareholder. 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 Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

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

6. FINANCIAL INSTRUMENTS – continued

Foreign currency risk management — continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2010 RMB'000	2009 RMB'000
Assets		
HK$	**1,268,447**	2,807
US$	**2,554**	704
AU$	**524**	—
JP¥	**15,086**	—
Liabilities		
HK$	**22**	73,200
US$	**10,199**	—

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2009: 5%) change in RMB against HK$, US$, AU$ and JP¥. 5% (2009: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2009: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) profit before tax for the year where the relevant foreign currencies strengthen 5% (2009: 5%) against RMB. For a 5% (2009: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit before tax for the year.

	2010 RMB'000	2009 RMB'000
HK$ impact	**63,421**	(3,543)
US$ impact	**(382)**	26
AU$ impact	**26**	—
JP¥ impact	**754**	—

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.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS — continued

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate borrowings and fixed-rate loan receivables. The Group's cash flow interest rate risk relates primarily to its variable-rate bank deposits. The Group currently does not have a specific policy to manage its 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 the end of the reporting period as it is expected that the reasonably possible change of deposit interest rate is insignificant. Therefore, no sensitivity analysis has been presented.

Other price risk

The Group is exposed to investment funds price risk in relation to its available-for-sale investments. The Group currently does not have a price risk hedging policy as the management considers the Group is not exposed to significant price risk. The management will continue to monitor price risk exposure and consider hedging against it should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to investment funds price risks at the end of the reporting period.

If the prices of the respective investment funds had been 5% (2009: Nil) higher/lower, investments revaluation reserve would increase/decrease by approximately RMB14,702,000 (2009: Nil).

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

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

6. FINANCIAL INSTRUMENTS — continued

Credit risk management — continued

The Group has concentration of credit risk in respect of bank balances. Approximately 93% (2009: 99%) of the bank balances as at 31 December 2010 were deposited with two state-owned banks in the PRC and the credit risk on these liquid funds is limited.

The Group has concentration of credit risk in respect of loan receivables. As at 31 December 2010, all of the loan receivables were provided to 2 long-term suppliers (2009: 90% of the loan receivables were provided to 5 long-term suppliers). The management of the Group reviews the counterparties' financial status periodically and continuously monitors the level of exposure to ensure that follow up actions and collection actions are taken promptly to lower exposure.

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

	2010		2009	
	TAR RMB'000	TAR% RMB'000	TAR RMB'000	TAR% RMB'000
Customer A	**32,571**	**11**	*	*

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

The Group has concentration of credit risk as 11% (2009: Nil) of the total TAR were due from one customer (2009: Nil). In order to minimise 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 31 December 2010, the Group has available unutilised bank facilities of approximately RMB110,740,000 (2009: RMB500,000), of which RMB20,000,000 (2009: Nil) will expire on 4 January 2011, RMB5,000,000 (2009: RMB500,000) will expire on 11 June 2011, RMB17,500,000 (2009: Nil) will expire on 8 September 2011, RMB35,000,000 (2009: Nil) will expire on 23 December 2011 and RMB33,240,000 (2009: Nil) will expire on 15 October 2012, respectively.

6. FINANCIAL INSTRUMENTS — continued

Liquidity risk management — continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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 effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
Non-derivative financial liabilities					
As at 31 December 2010					
Trade and other payables	**—**	**122,417**	**1,934**	**124,351**	**124,351**
Short-term borrowings — fixed rate borrowings	**5.31**	**10,022**	**—**	**10,022**	**10,000**
		132,439	**1,934**	**134,373**	**134,351**
As at 31 December 2009					
Trade and other payables		82,319	6,521	88,840	88,840
Amount due to a former shareholder		680	—	680	680
Short-term borrowings — fixed rate borrowings	7.49	77,875	201,519	279,394	263,800
Dividends payable	—	27,058	—	27,058	27,058
		187,932	208,040	395,972	380,378

6. FINANCIAL INSTRUMENTS — continued

Fair value of financial instruments

The fair value of the Group's available-for-sale investments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

The fair value of the Group's financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions as input.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments as at 31 December 2010 that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. No financial instruments were measured at fair value as at 31 December 2009.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2010			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
Investment funds	**294,045**	**—**	**—**	**294,045**

There were no transfers between Level 1 and 2 in current and prior years.

7. REVENUE AND SEGMENT INFORMATION

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

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 based on management accounts prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises registered in the PRC and which also conform, in material respects, to the IFRSs, to make decisions about resource allocation and performance assessment. No segment information is presented other than entity-wide disclosures as no other discrete financial information is available for the assessment of performance and resources allocation of different business activities.

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

Revenue analysed by major products categories are as follows:

	2010 RMB'000	2009 RMB'000
Revenue from:		
Children's apparel and accessories	**1,005,640**	569,115
Other children's products	**402,579**	61,043
Others	**—**	20
Total revenue	**1,408,219**	630,178

Information about major customer

No individual customer contributed over 10% of the total revenue of the Group during both years.

8. INVESTMENT INCOME AND OTHER GAINS AND LOSSES

	2010 RMB'000	2009 RMB'000
Investment income:		
Interest on bank deposits	**927**	42
Investment income from available-for-sale investments	**586**	—
Investment income from held-to-maturity investment	**51**	—
Rentals from investment property	**593**	570
	2,157	612
Other gains and losses:		
Loss on disposal of property, plant and equipment	**(31)**	(184)
Net foreign exchange losses	**(23,906)**	(257)
Government grants *(note)*	**34,237**	6,813
Others	**(1,170)**	(139)
	9,130	6,233
	11,287	6,845

Note: Included in governments grants is an amount of RMB33,587,000 (2009: RMB6,701,204) received from Shanghai Yangpu District Finance Bureau（上海市楊浦區財政局）as tax refunds.

9. PROFIT BEFORE TAX

	2010 RMB'000	2009 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefit schemes contributions *(note 10)*	**6,416**	1,648
Other staff costs	**34,594**	17,950
Other staff's retirement benefits scheme contributions	**3,119**	1,813
Total staff costs	**44,129**	21,411
(Recovery of) allowance for doubtful debts	**(1,269)**	2,003
Cost of inventories recognised as expenses	**772,746**	363,791
Write-down of inventories (included in cost of sales)	**9,751**	62
Depreciation of property, plant, and equipment	**16,653**	6,241
Depreciation of investment property	**121**	121
Minimum operating lease rentals in respect of rented premises	**33,119**	6,695
Contingent operating lease rentals (mainly concessionaire fees) in respect of rented premises	**36,214**	24,361
Amortisation of prepaid lease payments	**260**	258
Research expenses	**3,765**	2,630
Auditors' remuneration	**1,129**	207
Gross rental income less direct operating expenses from investment property	**(593)**	(570)

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

Details of the emoluments paid or payable to the directors of the Company are as follows:

	For the year ended 31 December 2010			
	Salaries and other benefits RMB'000	Retirement benefit scheme contribution RMB'000	Discretionary bonus RMB'000	Total RMB'000
Mr. Zhong Zheng Yong	2,500	53	1,200	3,753
Ms. Chen Li Ping	1,500	53	970	2,523
Mr. Chen Pei Qi	—	—	—	—
Mr. Li Shu Jun	—	—	—	—
Mr. Lee Ted Tak Tai	54	—	—	54
Dr. Rock Jin	43	—	—	43
Mr. Li Zhi Qiang	43	—	—	43
	4,140	106	2,170	6,416

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

No (2009: Nil) director waived emoluments in the year ended 31 December 2010.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION — continued

Of the five individuals with the highest emoluments in the Group, two (2009: two) directors of the Company whose emoluments are included in the disclosures in above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 RMB'000	2009 RMB'000
Employees		
— salaries and other benefits	**1,624**	1,070
— contributions to retirement benefit scheme	**69**	63
— Discretionary bonus	**2,000**	—
	3,693	1,133

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
HK$ nil to HK$1,000,000	**1**	3
HK$1,500,001 to HK$2,000,000	**2**	—

During the current and prior years, 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.

11. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**123,616**	44,228
Deferred tax (credit) charge *(note 20)*	**(6,820)**	5,255
Total tax expense	**116,796**	49,483

The Company and Kingman Holdings are tax exempted companies incorporated in the Cayman Islands and BVI, respectively, and had no operation in either the PRC and Hong Kong. Pacific Leader was incorporated in Hong Kong, where the applicable income tax rate is 16.5% for both years ended 31 December 2010 and 2009.

The applicable income tax rate for Shanghai Boshiwa, Shanghai Rongchen, Boshiwa Enterprise and Shanghai Desheng is 25% for both years ended 31 December 2010 and 2009.

Under the EIT Law of the PRC, withholding income tax is applicable from 1 January 2008 to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or a lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. Deferred tax on withholding income tax has been provided for the undistributed profits of PRC entities, amounting to RMB1,500,000 (2009: RMB6,021,000) for the year ended 31 December 2010, in accordance with the dividend amount the directors anticipate to distribute out of such profits of its PRC subsidiaries in the foreseeable future. These deferred taxation provided in 2009 arising from the withholding tax was paid in 2010 due to the declaration of dividends to non-PRC tax resident enterprises.

11. INCOME TAX EXPENSE — continued

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of comprehensive income as follows:

	2010 RMB'000	2009 RMB'000
Profit before tax	**367,808**	170,777
Income tax expense at PRC income tax rate of 25%	**91,952**	42,694
Tax effect of expenses not deductible for tax purpose	**17,266**	750
Deferred tax on withholding income tax on undistributed profits	**1,500**	6,021
Income tax on dividends distributed by the Company's PRC subsidiary during the year (not provided in the prior year)	**6,078**	—
Others	**—**	18
Taxation for the year	**116,796**	49,483

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the followings:

	2010 RMB'000	2009 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**251,012**	121,294
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,647,876,712**	1,395,804,073

12. EARNINGS PER SHARE — continued

For the year ended 31 December 2010, the weighted average number of ordinary shares has been adjusted retrospectively for the 1,499,800,000 shares issued pursuant to the capitalisation issue as disclosed in note 29. In addition, the effect of 575,000,000 shares issued under public offering as more fully described in note 29 has also been included.

For the year ended 31 December 2009, the weighted average number of ordinary shares has been adjusted retrospectively the 200,000 shares issued at the date of incorporation and pursuant to the Group Restructuring and included the effect of the 1,499,800,000 shares issued pursuant to the capitalisation issue as disclosed in note 29.

No diluted earnings per share have been presented as the Company has no potential dilutive ordinary shares outstanding during both years.

13. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Dividends declared for the year	**257,000**	2,802

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

A final dividend equivalent to RMB0.014 per share has been proposed by the directors of the Company and is subject to approval by shareholders in general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2009	67,509	11,556	16,983	2,785	–	554	99,387
Additions	–	33	8,938	2,061	–	6,536	17,568
Transfers	–	204	2,930	–	3,647	(6,781)	–
Disposals	–	(6,127)	–	(185)	–	–	(6,312)
At 31 December 2009	67,509	5,666	28,851	4,661	3,647	309	110,643
Additions	–	–	35,048	2,104	3,427	85,571	126,150
Transfers	–	–	248	–	85,632	(85,880)	–
Disposals	–	(4,413)	–	–	–	–	(4,413)
At 31 December 2010	67,509	1,253	64,147	6,765	92,706	–	232,380
DEPRECIATION							
At 1 January 2009	(9,066)	(10,308)	(7,285)	(2,254)	–	–	(28,913)
Provided for the year	(2,713)	(81)	(3,239)	(206)	(2)	–	(6,241)
Disposals	–	5,632	–	165	–	–	5,797
At 31 December 2009	(11,779)	(4,757)	(10,524)	(2,295)	(2)	–	(29,357)
Provided for the year	(2,698)	(115)	(6,676)	(483)	(6,681)	–	(16,653)
Disposals	–	3,901	–	–	–	–	3,901
At 31 December 2010	(14,477)	(971)	(17,200)	(2,778)	(6,683)	–	(42,109)
CARRYING VALUES							
At 31 December 2009	55,730	909	18,327	2,366	3,645	309	81,286
At 31 December 2010	**53,032**	**282**	**46,947**	**3,987**	**86,023**	**–**	**190,271**

14. PROPERTY, PLANT AND EQUIPMENT — continued

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

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

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

As at 31 December 2010, the Group pledged its buildings with carrying value of approximately RMB53,032,000 and (2009: RMB55,730,000) to a bank to secure banking facilities granted to the Group.

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

	2010 RMB'000	2009 RMB'000
Prepayments for acquisition of:		
— property, plant and equipment	**64,639**	92,700
— computer software	**24,150**	24,150
	88,789	116,850

16. PREPAID LEASE PAYMENTS

	Land use right RMB'000
COST	
At 1 January 2009, 31 December 2009 and 2010	7,809
RELEASE TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
At 1 January 2009	(880)
Charge to profit or loss during the year	(258)
At 31 December 2009	(1,138)
Charge to profit or loss during the year	(260)
At 31 December 2010	(1,398)
CARRYING VALUES	
At 31 December 2009	6,671
At 31 December 2010	**6,411**

	2010 RMB'000	2009 RMB'000
Analysed for reporting purpose as:		
— Non-current assets	**6,151**	6,411
— Current assets	**260**	260
	6,411	6,671

The two pieces of land which the Group's buildings and the investment property are situated on are located in Shanghai, the PRC under medium-term lease for a period of 50 years and will expire in 2043 and 2047, respectively. As at 31 December 2010, the underlying land use right with carrying value of approximately RMB6,411,000 (2009: RMB6,671,000) was pledged to a bank to secure banking facilities granted to the Group.

17. INVESTMENT PROPERTY

	Amount RMB'000
COST	
At 1 January 2009, 31 December 2009 and 2010	4,035
DEPRECIATION	
At 1 January 2009	(615)
Provided for the year	(121)
At 31 December 2009	(736)
Provided for the year	(121)
At 31 December 2010	(857)
CARRYING VALUES	
At 31 December 2009	3,299
At 31 December 2010	**3,178**

The above property is depreciated over its estimated useful life using 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 is RMB14,890,000 as at 31 December 2010 (2009: RMB14,755,000), which have been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited (2009: Jones Lang LaSalle Sallmanns Limited), independent qualified professional valuers not connected with the Group, with a valuation report issued on 20 January 2011, (2009: 3 August 2010). Greater China Appraisal Limited and Jones Lang LaSalle Sallmanns Limited are members of the Hong Kong Institute of Surveyors. 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 capitalised to determine the market value at an appropriate capitalization rate.

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

18. INTANGIBLE ASSETS

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
COST			
At 1 January and 31 December 2009	10,469	—	10,469
Additions	135	142	277
At 31 December 2010	10,604	142	10,746
AMORTISATION			
At 1 January and 31 December 2009	—	—	—
Provided for the year	—	(19)	(19)
At 31 December 2010	—	(19)	(19)
IMPAIRMENT			
At 1 January 2009, 31 December 2009 and 2010	—	—	—
CARRYING VALUES			
At 31 December 2009	10,469	—	10,469
At 31 December 2010	**10,604**	**123**	**10,727**

Computer software has definite useful life and is amortised over its estimated useful life of five years.

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. The Group would review the trademark continuously and has the ability to do so. Accordingly, the trademark is deemed to have an indefinite useful life and is carried at cost less any subsequent accumulated impairment losses.

18. INTANGIBLE ASSETS — continued

Impairment tests for intangible assets with indefinite life

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

As at 31 December 2010 and 2009, 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 summarised 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 31 December 2010 and 2009. The cash flows beyond one year period are extrapolated using a steady annual growth rate of 3% at the end of each year. This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term rate for the relevant industry. The discount rate of 20% is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.

- Other key assumptions for the value in use calculation related to the estimation of cash inflow and outflows include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The directors of the Company consider that any reasonably possible change in any of these assumptions would not cause the carrying amount (including the trademark) of the CGU to exceed the corresponding recoverable amount.

19. LOAN RECEIVABLES

	2010 RMB'000	2009 RMB'000
Loan receivables	**19,000**	38,610
Analysed for reporting purpose as		
— Non-current assets	**—**	38,610
— Current assets	**19,000**	—
	19,000	38,610

19. LOAN RECEIVABLES — continued

The Group has provided unsecured loans to certain long-term suppliers at a fixed rate of 5.31% per annum with maturity periods not exceeding 1 year as at 31 December 2010 (2009: not exceeding 3 years).

In determining the recoverability of the loan receivables, the Group monitors any change in the credit quality of the loan receivables from the date when the loan was advanced. The Group has not provided any allowance for the loan receivables as at the end of each reporting period.

20. DEFERRED TAX

The following is the deferred tax assets(liabilities) recognised by the Group and movements thereon during the current and prior years:

	Write-down of inventories RMB'000	Doubtful debts RMB'000	Amortisation of intangible assets RMB'000	Accrued payroll and other expenses RMB'000	Tax losses RMB'000	Withholding tax on undistributed profits RMB'000	Unrealised profit (loss) in inventories arising from inter-company transaction RMB'000	Total RMB'000
Balance at 1 January 2009	919	451	(982)	–	–	(3,532)	–	(3,144)
Credit (charge) to profit or loss	15	500	(87)	–	213	(6,021)	125	(5,255)
Balance at 31 December 2009	934	951	(1,069)	–	213	(9,553)	125	(8,399)
Credit (charge) to profit or loss	2,438	(317)	(87)	5,332	(213)	(1,500)	1,167	6,820
Eliminated on distribution of profit of subsidiaries	–	–	–	–	–	9,553	–	9,553
Balance at 31 December 2010	**3,372**	**634**	**(1,156)**	**5,332**	**–**	**(1,500)**	**1,292**	**7,974**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010 RMB'000	2009 RMB'000
Deferred tax assets	**9,474**	1,154
Deferred tax liabilities	**(1,500)**	(9,553)

20. DEFERRED TAX — continued

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

Under the EIT Law of the PRC, withholding income tax is applicable from 1 January 2008 to dividends payable to investors that are non-PRC tax resident enterprises. Deferred tax liabilities of RMB9,553,000 and RMB1,500,000 have been recognised for taxable temporary differences arising on the undistributed profits of PRC entities as at 31 December 2009 and 2010 respectively, in accordance with the dividend amount the directors anticipate to distribute out of such profits of its PRC subsidiaries in the foreseeable future.

Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of the Company's PRC subsidiaries amounting to RMB160,143,000 (2009: RMB2,174,000) as at 31 December 2010 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

21. INVESTMENTS IN SECURITIES

	2010 RMB'000	2009 RMB'000
Available-for-sale investments, at fair value	**294,045**	—
Held-to-maturity investment, at amortised cost	**31,789**	—
	325,834	—

Available-for-sale investments represent interest in investment funds. Fair value is determined with reference to market prices provided by the related financial institutions. These investments can be sold back to the financial institutions at any time based on the market price quoted by the financial institutions.

Held-to-maturity investment represents interest in fixed-rate note carrying interest at 1.3072% per annum with maturity date on 9 June 2011. The fixed-rate note was issued by a reputable financial institution.

21. INVESTMENTS IN SECURITIES — continued

	2010 RMB'000	2009 RMB'000
Analysed for reporting purpose as:		
— Non-current assets	**294,045**	—
— Current assets	**31,789**	—
	325,834	—

22. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials	**3,963**	3,310
Finished goods and merchandise	**350,084**	145,476
	354,047	148,786

23. TRADE AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	**289,263**	274,484
Less: Allowance for doubtful debts	**(1,008)**	(3,436)
	288,255	271,048
Advance payments to suppliers	**153,468**	19,596
Other receivables	**38,284**	5,248
Less: Allowance for other receivables	**(1,533)**	(374)
Rental deposits	**2,391**	2,820
	480,865	298,338

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

23. TRADE AND OTHER RECEIVABLES — continued

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

	2010 RMB'000	2009 RMB'000
0 to 30 days	**162,200**	100,649
31 to 90 days	**95,660**	98,837
91 to 180 days	**18,646**	55,777
Over 180 days	**11,749**	15,785
	288,255	271,048

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB12,286,000 as at 31 December 2010 (2009: RMB15,789,000) which are past due for which the Group has not provided for impairment loss.

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

	2010 RMB'000	2009 RMB'000
90 to 180 days	**594**	4
Over 180 days	**11,692**	15,785
	12,286	15,789

Other receivables mainly represented cash received by distributors relating to sales of prepaid cards, which were unsecured and non-interest bearing.

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 from the date credit was granted and up to the reporting date. After reassessment, the management believes that no further allowance is required.

23. TRADE AND OTHER RECEIVABLES — continued

Movement in the allowance for doubtful debts:

	2010 RMB'000	2009 RMB'000
Balance at beginning of the year	**3,810**	1,807
(Decrease) increase in allowance recognised in consolidated statement of comprehensive income	**(1,269)**	2,003
Balance at end of the year	**2,541**	3,810

24. AMOUNT DUE FROM/TO A FORMER SHAREHOLDER/AMOUNT DUE FROM A RELATED PARTY

	2010 RMB'000	2009 RMB'000
Amount due from Great Dragon	**2,280**	1,029
Amount due to Great Dragon	**–**	680

Pursuant to an equity transfer on 8 September 2010, Great Dragon, the former holding company of the Company and Shanghai Boshiwa, transferred all shares it held in the Company to Joyork International Limited, as an existing shareholder of the Company. Great Dragon is a subsidiary of Joyork International Limited.

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balance and cash mainly comprise current bank deposits which carry interest at the following market rates:

	2010 Market rate %	2009 Market rate %
Bank balances and cash and pledged bank deposits denominated in:		
RMB	**0.36**	0.36
HK$	**0.01**	0.01
US$	**0.01**	0.01
JP¥	**0.01**	N/A
AU$	**0.50**	N/A

Bank balances and cash and pledged bank deposits denominated in US$, HK$, JP¥ and AU$ are set out below:

	2010 RMB'000	2009 RMB'000
Bank balances and cash and pledged bank deposits denominated in:		
HK$	**1,266,211**	2,807
US$	**2,438**	704
JP¥	**410**	—
AU$	**401**	—

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

26. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Trade payables	**70,338**	77,303
Value-added tax payables	**45,507**	25,868
Payroll payables	**9,037**	4,379
Advance payments from customers	**21,150**	809
Other payables	**44,976**	7,160
Accruals	**12,291**	187
	203,299	115,706

As at 31 December 2010, other payables mainly represented payable for initial public offering expenses.

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

	2010 RMB'000	2009 RMB'000
0 to 90 days	**67,872**	76,397
91 to 180 days	**1,269**	649
Over 180 days	**1,197**	257
	70,338	77,303

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.

27. SHORT-TERM BORROWINGS

		2010 RMB'000	2009 RMB'000
Short-term bank loan — secured	(1)	**10,000**	191,200
Loans from BOCOM Holdings	(2)	**—**	72,600
		10,000	263,800

Notes:

(1) As at 31 December 2010, the short-term bank loan was secured by pledged bank deposits and guaranteed by Shanghai Yangpu District Small-To-Medium Enterprise Guarantee Centre（上海市楊浦區中小企擔保中心）, the weighted average effective interest rate of the Group's fixed-rate bank borrowings was equal to the contracted interest rate of 5.31% per annum, and has a contractual maturity within one year from the end of the reporting period.

As at 31 December 2009, the short-term bank loans were secured (see notes 14, 16 and 17) and the weighted average effective interest rate of the Group's fixed-rate bank borrowings was equal to the contracted interest rate of 4.64% per annum. All the bank loans had contractual maturity within one year from the end of the reporting period.

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

28. DEFERRED REVENUE

Deferred revenue represents the sales of prepaid cards customers through distributors. Users of prepaid cards are entitled to purchase goods from the Group's retail stores. The prepaid amount received by the distributors is recorded as other receivables, and concurrently, deferred revenue and the related value-added tax payable are recognised in the consolidated statement of financial position. Value-added tax payable is included in "trade and other payable". Revenue is recognised upon actual usage of the card by the customers.

29. SHARE CAPITAL

	Number of shares	Share capital HK$
Ordinary shares of HK$0.0005 each		
Authorised:		
At incorporation, 31 December 2009 and 1 January 2010	200,000,000	100,000
Increase in authorised share capital *(note ii)*	199,800,000,000	99,900,000
At 31 December 2010	**200,000,000,000**	**100,000,000**
Issued and fully paid:		
At incorporation	100,000	50
Issued on 3 September 2009 *(note i)*	100,000	50
At 31 December 2009	200,000	100
Capitalisation issue *(note ii)*	1,499,800,000	749,900
Issue of shares pursuant to the initial public offering *(note iii)*	575,000,000	287,500
At 31 December 2010	**2,075,000,000**	**1,037,500**

	2010 RMB'000	2009 RMB'000
Presented in RMB		
Share capital	**904**	1

The movements in the Company's authorised and issued ordinary share capital during the years ended 31 December 2009 and 2010 are as follows:

(i) On 3 September 2009, as part of the Group Restructuring, Great Dragon, the then shareholder of both the Company and Shanghai Boshiwa, transferred its 100% equity interest in Shanghai Boshiwa to Pacific Leader for a consideration of US$18 millions (approximately RMB140,480,000). The consideration was settled by issuing 100,000 ordinary shares of the Company, amounting to HK$50 (approximately RMB44), to Great Dragon.

29. SHARE CAPITAL — continued

(ii) Pursuant to written resolutions of all the shareholders passed on 8 September 2010, the authorised share capital of the Company was increased from HK$100,000 (divided into 200,000,000 shares of HK$0.0005 each) to HK$100,000,000 (divided into 200,000,000,000 shares of HK$0.0005 each) by creation of 199,800,000,000 shares of HK$0.0005 each, which rank pari passu in all respects with the shares then in issue. In addition, the directors were authorised, and resolved, to capitalise HK$749,900 (approximately RMB655,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 1,499,800,000 shares.

(iii) On 29 and 30 September 2010, an aggregate of 575,000,000 shares of HK$0.0005 each of the Company, amounted to HK$287,500 (approximately RMB248,000), were issued at HK$4.98 (equivalent to RMB4.29) per share by way of placing and public offering.

All shares issued rank pari passu with other shares in issue in all respects.

30. NON-CASH TRANSACTIONS

The followings are the major non-cash transactions during the year ended 31 December 2010:

- During the year ended 31 December 2010, RMB38,610,000 merchandise were received from certain suppliers to settle the loans advanced to them by Shanghai Boshiwa in 2009. The costs of merchandise were determined based on the purchase price of the merchandise.

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

- The amount due to Great Dragon of RMB680,000 was waived by Great Dragon during the year ended 31 December 2010 and the waiver was recognised as equity (capital reserve).

- On 30 June 2010, the Company declared dividends of approximately RMB257,000,000, of which RMB68,260,000 was waived and was recognised as equity (capital reserve).

The followings are the major non-cash transactions during the year ended 31 December 2009:

- The notes receivable of approximately RMB29,895,000 were offset against the corresponding bank borrowings upon repayment of bank borrowings during the year ended 31 December 2009.

- The consideration for the transfer of 100% equity interest in Shanghai Boshiwa from Great Dragon to Pacific Leader upon Group Restructuring was settled by issuing the ordinary shares of the Company in 2009.

31. DISPOSAL OF SUBSIDIARIES

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

On 16 September 2008 and 15 October 2008, Shanghai Boshiwa disposed of the equity interest of Shanghai Rongchen Knitting Limited and Shanghai Rongchen Motor Vehicle Driver Training Limited to an independent third party for a consideration of approximately RMB2,210,000 and RMB10,200,000, respectively.

Approximately RMB10,397,000 and RMB12,700,000 were received in 2008 and 2009 respectively to satisfy the considerations of the disposals.

All disposals were completed in 2008.

32. OPERATING LEASES

The Group as lessee

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

	2010 RMB'000	2009 RMB'000
Within one year	**66,482**	8,286
In the second to fifth years inclusive	**244,037**	23,066
After five years	**63,412**	4,872
	373,931	36,224

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

32. OPERATING LEASES — continued

The Group as lessor

Property rental income earned during the year ended 31 December 2010 was approximately RMB593,000 (2009: RMB570,000). The Group's investment property is held for a fixed monthly rental purposes with a lease term of ten years which will expire in 2014.

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

	2010 RMB'000	2009 RMB'000
Within one year	**616**	593
In the second to fifth year inclusive	**1,479**	2,095
	2,095	2,688

33. CAPITAL COMMITMENT

	2010 RMB'000	2009 RMB'000
Contracted, but not provided for, in respect of leasehold improvement	**78,287**	—

34. RETIREMENT BENEFITS SCHEMES

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

34. RETIREMENT BENEFITS SCHEMES — continued

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

	2010 RMB'000	2009 RMB'000
Amount contributed and expensed in profit or loss	**3,225**	1,861

The contributions due that had not been paid over to the scheme were RMB422,000 as at 31 December 2010 (2009: RMB80,000).

35. RELATED PARTY TRANSACTIONS

Save as disclosed in notes 24, 27 and 30 the Group had no other transactions or balances with related parties during both years.

The five highest paid individuals in note 10 are the management members. The remuneration of directors and key management members for the year is set out in note 10.

36. CONTINGENCIES

Prior to the introduction of the Notice issued by the MOFCOM on 19 August 2010, the MOFCOM's approval was required for a foreign invested enterprise or an enterprise established by a foreign invested enterprise to carry out online sales and an application for such approval should be made to the MOFCOM through its provincial counterparts.

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

The Group has disclosed this non-compliance to the Shanghai Commerce Committee and has not received any notification of penalty. No provision has been made by the Group for the year for confiscation of gains and fines as the probability that the relevant government authorities taking actions against the Group and the amount of obligation cannot be estimated with sufficient reliability according to the legal opinion.

Four-year Financial Summary

	Year ended 31 December			
	2010 RMB'000	**2009 RMB'000**	**2008 RMB'000**	**2007 RMB'000**
Revenue	**1,408,219**	630,178	325,601	211,774
Cost of sales	**(782,497)**	(363,853)	(184,651)	(141,680)
Gross profit	**625,722**	266,325	140,950	70,094
Other income	**11,287**	6,845	14,025	1,235
Distribution and selling expenses	**(171,030)**	(71,910)	(45,866)	(26,312)
Administrative and general expenses	**(76,494)**	(24,118)	(20,498)	(21,288)
Finance costs	**(21,677)**	(6,365)	(6,902)	(2,972)
Shares of profits of associates	**—**	—	1,727	2,632
Profit before tax	**367,808**	170,777	83,436	23,389
Income tax expense	**(116,796)**	(49,483)	(23,684)	(5,606)
Profit after tax and total comprehensive income for the year/period	**251,012**	121,294	59,752	17,783
Attributable to:				
Owners of Shanghai Boshiwa	**248,145**	121,294	63,661	14,230
Minority interests	**—**	—	(3,909)	3,553

	As of 31 December			
	2010 RMB'000	**2009 RMB'000**	**2008 RMB'000**	**2007 RMB'000**
Non-current Assets	**609,888**	258,079	91,420	106,818
Current Assets	**2,581,021**	539,175	288,639	182,457
Current Liabilities	**309,244**	446,397	194,733	121,412
Net Current Assets	**2,271,777**	92,778	93,906	61,045
Total Assets less Current Liabilities	**2,881,665**	350,857	185,326	167,863
Capital and Reserves				
Paid-in capital	**904**	1	99,463	99,463
Capital and other reserves	**2,879,261**	159,738	12,060	12,020
Retained earnings	**—**	181,565	70,271	39,677
Total equity attributable to owners of the Company	**2,880,165**	341,304	181,794	151,160
Non-current Liabilities				
Deferred tax liabilities	**1,500**	9,553	3,532	—
Minority interests	**—**	—	—	16,703
Total Equity and Non-current Liabilities	**2,881,665**	350,857	185,326	167,863