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

KPMG

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

6 December 2011

The Directors
Hosa International Limited

Merrill Lynch Fast East Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Hosa International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Relevant Period"), and the consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 and the balance sheets of the Company as at 31 December 2010 and 30 June 2011, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 6 December 2011 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 2 September 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 16 March 2011 (the "Reorganisation") as detailed in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Hosa Investment Holdings Limited ("Hosa Investment"), as they are investment holding companies and are not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

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

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

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

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2011.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 and of the Company as at 31 December 2010 and 30 June 2011.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2010, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

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

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

A. BASIS OF PRESENTATION

The particulars of the Company's subsidiaries as at the date of this report are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/registered capital	Proportion of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Hosa Investment	British Virgin Islands ("BVI")/ 1 September 2010	US$1/US$1	100%	—	Investment holding
Hosa Group Holdings Limited ("Hosa Group")	Hong Kong/ 30 August 2010	HK$10,000/ HK$10,000	—	100%	Investment holding
Haosha Industry (Fujian) Co., Ltd.* ("Haosha Industry") (浩沙實業(福建)有限公司)	PRC/25 October 2005	RMB121,500,000/ RMB121,500,000	—	100%	Design, manufacture and sales of swimwear, fitness wear, sports underwear and swim and indoor sports accessories

* The English translation of the company's name is for reference only. The official name of the company is in Chinese.

The Company was incorporated in the Cayman Islands on 2 September 2010 and became the holding company of the companies now comprising the Group pursuant to the Reorganisation completed on 16 March 2011. The Reorganisation has been accounted for in accordance with the principle similar to a reverse acquisition as set out in International Financial Reporting Standard 3, Business Combinations. The issue of shares of the Company's subsidiary, Hosa Group in exchange for the controlling interest in Haosha Industry and the connected share swap between the Company, Hosa Investment and Hosa Group resulted in the Company becoming the holding company of Haosha Industry. The Financial Information has been prepared as a continuation of Haosha Industry and the assets and liabilities of Haosha Industry are recognised and measured at their historical carrying values prior to the Reorganisation.

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

B. CONSOLIDATED FINANCIAL INFORMATION

1. *Consolidated statements of comprehensive income*

	Section C Note	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Continuing operations						
Turnover	2	204,643	159,169	347,787	118,059	302,347
Cost of sales		(142,383)	(96,253)	(178,382)	(62,162)	(109,149)
Gross profit		62,260	62,916	169,405	55,897	193,198
Other revenue	3	240	664	1,928	1,301	4,001
Other net income/(loss)	3	142	64	(379)	(241)	229
Selling and distribution expenses		(24,431)	(23,737)	(29,122)	(8,600)	(25,138)
Administrative and other operating expenses		(10,655)	(10,041)	(26,695)	(7,806)	(26,721)
Profit from operations		27,556	29,866	115,137	40,551	145,569
Finance costs	4(a)	(921)	(2,640)	(6,382)	(2,936)	(1,544)
Profit before taxation	4	26,635	27,226	108,755	37,615	144,025
Income tax benefit/(expense)	5	1,596	1,382	(14,380)	(4,413)	(18,644)
Profit for the year/period from continuing operations		28,231	28,608	94,375	33,202	125,381
Discontinued operations	6					
Profit from discontinued operations		734	79	4,135	2,787	—
Net gain on disposal of subsidiaries, machinery and equipment		—	—	17,596	—	—
Profit for the year/period		28,965	28,687	116,106	35,989	125,381
Exchange differences on translation of financial information of operations outside the mainland China		—	—	—	—	1
Total comprehensive income for the year/period		28,965	28,687	116,106	35,989	125,382
Earnings per share	10					
From continuing and discontinued operations						
— basic and diluted (RMB)		0.02	0.02	0.10	0.03	0.10
From continuing operations						
— basic and diluted (RMB)		0.02	0.02	0.08	0.03	0.10

2. *Consolidated balance sheets*

	Section C Note	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
Non-current assets					
Property, plant and equipment	11	15,257	15,839	51,868	49,536
Construction in progress	12	—	10,953	—	—
Intangible assets	13	50	231	151	149
Lease prepayments	14	—	—	12,104	11,983
Deferred tax assets	22(b)	1,723	3,279	5,277	6,378
Total non-current assets		17,030	30,302	69,400	68,046
Current assets					
Inventories	15	68,972	131,017	51,376	68,516
Trade and bill receivables	16	47,454	68,101	180,823	122,245
Prepayments and other receivables	17(a)	49,364	101,959	110,102	23,176
Pledged deposits	18	10,290	13,240	37,920	47,812
Cash at bank and in hand		17,637	15,645	83,827	60,696
Total current assets		193,717	329,962	464,048	322,445
Total assets		210,747	360,264	533,448	390,491
Current liabilities					
Bank loans	19	39,000	126,880	98,800	—
Trade and other payables	20(a)	79,819	112,769	128,966	138,735
Current taxation	22(a)	—	—	8,291	11,054
Total current liabilities		118,819	239,649	236,057	149,789
Total liabilities		118,819	239,649	236,057	149,789
Equity					
Paid-in capital	23	60,839	60,839	121,500	2
Reserves	24	31,089	59,776	175,891	240,700
Total equity		91,928	120,615	297,391	240,702
Total liabilities and equity		210,747	360,264	533,448	390,491
Net current assets		74,898	90,313	227,991	172,656
Total assets less current liabilities		91,928	120,615	297,391	240,702

3. *Balance sheets of the Company*

	Section C Note	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
Non-current assets			
Investment in subsidiaries	28(a)	—	—
Total non-current assets		—	—
Current assets			
Other receivables	17(b)	1	2
Total current assets		1	2
Total assets		1	2
Current liabilities			
Other payables	20(b)	73	71
Total current liabilities		73	71
Equity			
Paid-in capital	23(b)	1	2
Accumulated losses		(73)	(71)
Total equity		(72)	(69)
Total liabilities and equity		1	2
Net current liabilities		(72)	(69)
Total assets less current liabilities		(72)	(69)

4. *Consolidated statements of changes in equity*

	Section C Note	Paid-in capital RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Exchange reserves RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2008		39,060	51	233	—	—	1,840	41,184
Capital injection	23(a)	21,779	—	—	—	—	—	21,779
Total comprehensive income for the year		—	—	—	—	—	28,965	28,965
Appropriation to statutory reserves	24(b)	—	—	3,695	—	—	(3,695)	—
As at 31 December 2008		60,839	51	3,928	—	—	27,110	91,928
Total comprehensive income for the year		—	—	—	—	—	28,687	28,687
Appropriation to statutory reserves	24(b)	—	—	4,158	—	—	(4,158)	—
As at 31 December 2009		60,839	51	8,086	—	—	51,639	120,615
Capital injection	23(a)	60,661	9	—	—	—	—	60,670
Total comprehensive income for the year		—	—	—	—	—	116,106	116,106
Appropriation to statutory reserves	24(b)	—	—	10,339	—	—	(10,339)	—
Balance at 31 December 2010		121,500	60	18,425	—	—	157,406	297,391
Share issued upon incorporation	23(b)	2	—	—	—	—	—	2
Reduction in capital upon reorganisation	23(b)/24(d)	(121,500)	—	—	—	91,132	—	(30,368)
Total comprehensive income for the period		—	—	—	1	—	125,381	125,382
Appropriation to statutory reserves	24(b)	—	—	12,861	—	—	(12,861)	—
Dividend declared	9	—	—	—	—	—	(151,705)	(151,705)
Balance at 30 June 2011		2	60	31,286	1	91,132	118,221	240,702
(Unaudited)								
As at 31 December 2009		60,839	51	8,086	—	—	51,639	120,615
Capital injection	23(a)	2,048	—	—	—	—	—	2,048
Total comprehensive income for the period		—	—	—	—	—	35,989	35,989
Balance at 30 June 2010		62,887	51	8,086	—	—	87,628	158,652

5. *Consolidated cash flow statements*

	Section C Note	Year ended 31 December 2008 RMB'000	2009 RMB'000	2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	2011 RMB'000
Operating activities						
Profit/(loss) before taxation						
— from continuing operations		26,635	27,226	108,755	37,615	144,025
— from discontinued operations		607	(95)	4,774	3,204	—
Adjustments for:						
— Depreciation	11	2,072	2,995	4,337	2,223	2,967
— Amortisation of intangible assets and lease prepayments	13/14	—	97	140	67	177
— Gain on disposal of property, plant and equipment		—	—	—	—	(70)
— Finance costs		1,185	3,467	8,395	4,284	1,544
— Interest income		(124)	(135)	(417)	(317)	(669)
— Recognition/(reversal) of impairment losses for trade receivables	16	1,207	624	788	596	(1,024)
		31,582	34,179	126,772	47,672	146,950
Changes in working capital						
(Increase)/decrease in inventories		(44,864)	(62,045)	64,529	19,787	(17,140)
(Increase)/decrease in trade and bill receivables, prepayments and other receivables		(39,102)	(25,583)	(138,395)	(56,419)	58,918
(Increase)/decrease in amounts due from directors		(8,856)	2,347	12,109	(8,946)	—
(Increase)/decrease in amounts due from related parties		(15,090)	(50,632)	(6,915)	(120,304)	74,540
Increase/(decrease) in trade and other payables		45,158	33,423	54,586	30,656	(17,200)
Increase/(decrease) in amounts due to directors		—	—	3,386	—	(3,386)
(Decrease)/increase in amounts due to related parties		(2,977)	(134)	20	3,613	(20)
Cash (used in)/generated from operations		(34,149)	(68,445)	116,092	(83,941)	242,662
Income tax paid		(956)	—	(8,726)	(3,053)	(16,982)
Net cash (used in)/generated from operating activities		(35,105)	(68,445)	107,366	(86,994)	225,680

		Year ended 31 December			Six months ended 30 June	
	Section C	2008	2009	2010	2010	2011
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Investing activities						
Payment for purchase of property, plant and equipment		(1,729)	(3,914)	(31,538)	(1,428)	(674)
Payment for construction in progress		—	(10,953)	—	—	—
Payment for lease prepayments		(3,020)	—	(9,084)	—	—
Payment for purchase of intangible assets		(50)	(278)	(60)	—	(54)
Net cash (outflow)/inflow from disposal of subsidiaries	6(a)	—	—	(1,842)	—	13,080
Proceeds from disposal of property, plant and equipment		—	—	—	—	109
(Increase)/decrease in pledged deposits		(10,290)	(2,950)	(24,680)	1,546	(9,892)
Interest received		124	135	417	317	669
Net cash (used in)/generated from investing activities		(14,965)	(17,960)	(66,787)	435	3,238
Financing activities						
Proceeds from bank loans		39,000	159,088	214,578	106,978	—
Repayment of bank loans		—	(71,208)	(239,250)	(76,750)	(98,800)
Cash received from capital injection		21,779	—	60,670	60,670	—
Dividend paid		—	—	—	—	(151,705)
Interest paid		(1,185)	(3,467)	(8,395)	(4,284)	(1,544)
Net cash generated from/(used in) financing activities		59,594	84,413	27,603	86,614	(252,049)
Net increase/(decrease) in cash		9,524	(1,992)	68,182	55	(23,131)
Cash at 1 January		8,113	17,637	15,645	15,645	83,827
Cash at 31 December/30 June		17,637	15,645	83,827	15,700	60,696

C. NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1. *Significant accounting policies*

(a) Statement of compliance

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised IFRSs applicable to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2011 are set out in note 30.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

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

The Corresponding Financial Information for the six months ended 30 June 2010 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared as a continuation of Haosha Industry, as further explained in Section A.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except per share data. RMB is the functional currency and the reporting currency for the Company's subsidiaries established in the PRC. The functional currency of the Company is Hong Kong dollar ("HK$").

The Financial Information is prepared on the historical cost basis.

(d) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and the major sources of estimation uncertainty are discussed in note 29.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

Business combinations arising from transfer of interests in entities that are under the common control of the equity holders that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)).

(f) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)).

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

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

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Machinery and equipment 5–10 years
- Motor vehicles 2–4 years
- Furniture and fixtures 3–4 years

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

(g) Construction in progress

Construction in progress represents equipment pending installation, and is stated at cost less impairment losses (see note 1(j)).

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(h) Intangible assets

Intangible assets represent software and are stated in the consolidated balance sheets at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives. Software are amortised from the date they are available for use for 3 years.

Both the period and method of amortisation are reviewed annually.

(i) Operating lease charges

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

(j) Impairment of assets

(i) *Impairment of investment in a subsidiary, trade and other receivables and other financial assets*

Investment in a subsidiary, trade and other receivables and other financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in a subsidiary, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

— For trade and other receivables and other financial assets, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- intangible assets; and

- lease prepayments.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(k) Inventories

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

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

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

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

(l) Trade and other receivables

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

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

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

(o) Cash

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

(p) Employee benefits

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

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(q) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

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

(iii) *Government grants*

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

(iv) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(t) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The results of operations outside the mainland China are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(v) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, the financial impacts are presented on the face of the statements of comprehensive income, which include:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(w) Related parties

For the purposes of the Financial Information, a party is a person or an entity that is related to the Group.

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

(d) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity, or vice versa.

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

(f) The entity is controlled or jointly-controlled by a person identified in (i).

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

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

(x) Segment reporting

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

2. *Turnover and segment reporting*

The principal activities of the Group are design, manufacture and wholesale of swimwear, fitness wear, sports underwear and swim and indoor sports accessories.

Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes.

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. No geographical segment analysis is presented as substantially all assets, liabilities, turnover and gross profit of the Group are attributable to the operation in the PRC.

The Group has four separate segments within the continuing operations:

— Design, manufacture and wholesale of swimwear ("Swimwear");

— Design, manufacture and wholesale of fitness wear ("Fitness wear");

— Design, manufacture and wholesale of sports underwear ("Sports underwear"); and

— Wholesale of swim and indoor sports accessories ("Accessories").

In presenting the information on the basis of business segments, segment turnover and results are based on the sales and gross profits of Swimwear, Fitness wear, Sports underwear and Accessories.

	Swimwear	Fitness wear	Sports underwear	Accessories	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Year ended 31 December 2008					
Revenue	59,836	87,321	54,536	2,950	204,643
Cost of sales	(41,679)	(65,234)	(34,266)	(1,204)	(142,383)
Gross profit	18,157	22,087	20,270	1,746	62,260
Year ended 31 December 2009					
Revenue	70,631	31,316	52,873	4,349	159,169
Cost of sales	(43,841)	(17,521)	(31,497)	(3,394)	(96,253)
Gross profit	26,790	13,795	21,376	955	62,916
Year ended 31 December 2010					
Revenue	143,477	73,806	111,582	18,922	347,787
Cost of sales	(72,909)	(38,011)	(59,023)	(8,439)	(178,382)
Gross profit	70,568	35,795	52,559	10,483	169,405
Six months ended 30 June 2011					
Revenue	136,970	78,031	68,614	18,732	302,347
Cost of sales	(50,041)	(26,083)	(27,077)	(5,948)	(109,149)
Gross profit	86,929	51,948	41,537	12,784	193,198
Six months ended 30 June 2010					
(Unaudited)					
Revenue	64,002	19,104	30,395	4,558	118,059
Cost of sales	(36,501)	(8,579)	(14,259)	(2,823)	(62,162)
Gross profit	27,501	10,525	16,136	1,735	55,897

The Group does not allocate any specific assets or expenditures for property, plant and equipment to the operating segments as Chief Operating Decision Maker does not use the information to measure the performance of the reportable segments.

The Group's revenue by geographical locations is determined by the destination where the goods are delivered.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Domestic	131,959	125,144	296,798	82,256	302,103
Overseas	72,684	34,025	50,989	35,803	244
Total	204,643	159,169	347,787	118,059	302,347

The Group had two, two, one, three (unaudited) and one customer with whom transactions have exceeded 10% of the Group's aggregate revenues in the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. The amount of sales from these customers amounted to approximately RMB94,235,000, RMB55,613,000, RMB34,962,000, RMB53,070,000 (unaudited) and RMB59,014,000 for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. Details of concentrations of credit risk arising from these customers are set out in note 25(a).

3. *Other revenue and other net income/(loss)*

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Continuing operations					
Other revenue					
Interest income — financial institutions	123	104	415	315	669
Rental income	—	—	1,175	776	103
Government grants (note)	116	560	338	210	3,229
Others	1	—	—	—	—
	240	664	1,928	1,301	4,001
Other net income/(loss)					
Exchange gain/(loss)	143	66	(380)	(241)	156
Others	(1)	(2)	1	—	73
	142	64	(379)	(241)	229

Note: The government grants of the Group were not conditional and were therefore recognised as income when received.

4. *Profit before taxation*

Profit before taxation is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Continuing operations					
(a) Finance costs:					
Interest on bank borrowings	921	2,640	6,382	2,936	1,544
(b) Staff costs:					
Contributions to defined contribution retirement plans (note 21)	3,893	3,807	4,448	1,954	3,083
Salaries, wages and other benefits	25,637	25,319	30,518	13,183	21,485
	29,530	29,126	34,966	15,137	24,568

Staff costs included directors' remuneration (Note 7).

	2008	2009	2010	2010	2011
(c) Other items:					
Amortisation of intangible assets and lease prepayments	—	97	140	67	177
Auditor's remuneration	13	15	10	5	5
Depreciation	1,022	1,650	3,522	1,621	2,967
Donation	1,087	255	480	220	933
Recognition/(reversal) of impairment losses for trade receivables	1,207	458	788	596	(1,024)
Operating lease charges in respect of properties	1,491	2,747	1,886	597	899
Cost of inventories#	142,383	96,253	178,382	62,162	109,149

Cost of inventories includes RMB22,282,000, RMB20,587,000, RMB24,157,000, RMB12,100,000 (unaudited) and RMB13,372,000 in the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5. *Income tax in the consolidated statements of comprehensive income*

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

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Continuing operations					
Current tax — PRC income tax					
Provision for the year/period	—	—	16,289	5,411	19,745
Deferred tax					
Origination and reversal of temporary differences	(1,596)	(1,382)	(1,909)	(998)	(1,101)
	(1,596)	(1,382)	14,380	4,413	18,644

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

	Year ended 31 December			Six months ended 30 June	
Continuing operations	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation	26,635	27,226	108,755	37,615	144,025
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions (i)	6,659	6,807	27,189	9,404	36,006
Tax effect of PRC preferential tax treatments (ii)	(8,968)	(11,095)	(16,293)	(5,411)	(19,745)
Tax effect of non-deductible expenses	492	291	2,134	150	2,297
Tax rate differential on deferred tax items	150	122	295	240	86
Tax effect of unrealised profits	71	2,493	1,055	30	—
Actual tax (benefit)/expense	(1,596)	(1,382)	14,380	4,413	18,644

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

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

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the statutory income tax rate of subsidiaries in mainland China is 25%.

(ii) Prior to 1 January 2008, Haosha Industry, being a production-oriented foreign investment enterprise, was entitled to a tax holiday of 2-year full exemption followed by 3-year 50% reduction in the income tax rate commencing from its first profit-making year from a PRC tax perspective ("2+3 tax holiday"). Haosha Industry commenced operations and recorded taxable profits in 2007. Given its operating period was less than 6 months in 2007, it could defer its 2+3 tax holiday commencement to the following year based on the then prevailing tax regulations.

The CIT Law and its relevant regulations grandfather the 2+3 tax holiday and require them to commence on 1 January 2008 should they be not started earlier. Accordingly, Haosha Industry commenced its 2+3 tax holiday on 1 January 2008. It was exempt from income tax for 2008 and 2009 and is subject to income tax at 12.5% and 25% from 2010 to 2012 and from 2013 onwards, respectively.

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

6. *Discontinued operations*

In 2010, the management decided to terminate its operation in manufacture and sale of fabric ("Fabric") and the retail businesses ("Retail"). The Group changes its strategy to focus on manufacturing and sales of finished products through distributors.

On 31 July 2010, Haosha Industry disposed the production line related to Fabric at a consideration of RMB2,019,000 to Fujian Province Jinjiang City Haosha Garments Co., Ltd. which was under common control of the major shareholders (see also Note 27). The transaction was completed on 31 July 2010 and resulted in a loss of RMB26,000.

Beijing Yasha Apparel Co., Ltd.("Beijing Yasha"), Shanghai Haote Apparel Co., Ltd.("Shanghai Haote"), Guangzhou Yingchang Apparel Co., Ltd. ("Guangzhou Yingchang") were engaged in retail business of swimwear, fitness wear, sports underwear and swim and indoor sports accessories sourced from Haosha Industry. On 30 July 2010, the Group terminated the retail business and disposed of the entire interests in Beijing Yasha, Shanghai Haote and Guangzhou Yingchang at a consideration of RMB13,080,000 to independent third parties. These transactions were completed on 30 July 2010 and resulted in a gain of RMB17,622,000.

The consolidated results of discontinued operations for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 are set out below. The discontinued operations have no transaction for the six months ended 30 June 2011 and hence no further information is presented.

(a) The results of the discontinued operations are as follows:

		Year ended 31 December			Six months ended 30 June
		2008	**2009**	**2010**	**2010**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**
Turnover	6(b)	58,985	70,826	119,270	69,583
Cost of sales	6(b)	(53,996)	(48,243)	(93,093)	(50,014)
Gross profit		4,989	22,583	26,177	19,569
Interest income		1	31	2	2
Selling and distribution expenses		(1,598)	(15,204)	(12,837)	(10,463)
Administrative and other operating expenses		(2,521)	(6,678)	(6,555)	(4,556)
Profit from operations		871	732	6,787	4,552
Finance costs	6(c)(i)	(264)	(827)	(2,013)	(1,348)
Profit/(loss) before taxation	6(c)	607	(95)	4,774	3,204
Income tax benefit/(expense)	6(d)	127	174	(639)	(417)
Profit from discontinued operations		734	79	4,135	2,787
Earnings per share from discontinued operations*	10				
— basic and diluted (RMB cents)		0.06	0.01	1.81	0.23

* For the purpose of calculation of earnings per share, the profit from discontinued operations for the year ended 31 December 2010 included net gain on disposal of subsidiaries, machinery and equipment of RMB17,596,000.

The net assets of Beijing Yasha, Shanghai Haote and Guangzhou Yingchang at 30 July 2010 and the effect of the disposal are as below:

	RMB'000
Assets/(liabilities) being disposed of:	
Property, plant and equipment	196
Inventories	15,112
Trade, prepayments and other receivables	20,845
Cash	1,842
Trade and other payables	(42,537)
Net liabilities	(4,542)
Gain on disposal of subsidiaries	17,622
Total consideration	13,080
Net cash outflow in respect of the disposal of subsidiaries:	
Cash consideration received as of 31 December 2010, satisfied in cash	—
Cash of subsidiaries disposed	(1,842)
	(1,842)

The cash consideration for disposal of subsidiaries was collected in January 2011.

(b) Turnover and cost of sales

	Fabric	Retail	Elimination of inter-company sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008				
Revenue	58,814	1,222	(1,051)	58,985
Cost of sales	(53,996)	(1,051)	1,051	(53,996)
Gross profit	4,818	171	—	4,989
Year ended 31 December 2009				
Revenue	56,197	47,210	(32,581)	70,826
Cost of sales	(48,243)	(32,581)	32,581	(48,243)
Gross profit	7,954	14,629	—	22,583
Year ended 31 December 2010				
Revenue	106,975	35,233	(22,938)	119,270
Cost of sales	(93,093)	(22,938)	22,938	(93,093)
Gross profit	13,882	12,295	—	26,177
Six months ended 30 June 2010 (Unaudited)				
Revenue	59,000	30,954	(20,371)	69,583
Cost of sales	(50,014)	(20,371)	20,371	(50,014)
Gross profit	8,986	10,583	—	19,569

The net cash flows of the discontinued operations are as follows:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Net cash inflow from operating activities	44,336	42,403	60,646	40,755
Net cash outflow from investing activities	(1,911)	(11,192)	(2,340)	(498)
Net cash inflow attributable to the discontinued operations	42,425	31,211	58,306	40,257

(c) Profit/(loss) before taxation

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
(i) Finance costs:				
Interest on bank borrowings	264	827	2,013	1,348
(ii) Staff costs:				
Contributions to defined contribution retirement plans (note 21)	354	2,083	1,467	1,177
Salaries, wages and other benefits	2,913	10,882	9,776	7,660
	3,267	12,965	11,243	8,837
(iii) Other items:				
Auditor's remuneration	3	3	8	4
Depreciation	1,050	1,345	815	602
Impairment losses for trade receivables	—	166	—	—
Operating lease charges in respect of properties	20	357	657	487
Cost of inventories#	53,996	48,243	93,093	50,014

Cost of inventories includes RMB2,048,000, RMB2,266,000, RMB1,006,000 and RMB898,000 (unaudited) in the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 respectively relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(c)(ii) for each of these types of expenses.

(d) Taxation

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Discontinuing operations				
Current tax — PRC income tax				
Provision for the year	—	—	728	494
Deferred tax				
Origination and reversal of temporary differences	(127)	(174)	(89)	(77)
	(127)	(174)	639	417

Beijing Yasha, Shanghai Haote and Guangzhou Yingchang are subject to income tax at 25%. These subsidiaries did not generate taxable profits and no provision of income tax was made for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010.

During the year ended 31 December 2010 and the six months ended 30 June 2010, a provision of income tax was made for the profits generated in respect of the Fabric segment based on the applicable tax rate of 12.5%.

7. *Directors' remuneration*

Details of directors' remuneration of the Group are set out below:

Year ended 31 December 2008

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Shi Hongliu	—	143	26	—	169
Mr. Shi Hongyan	—	113	20	—	133
Mr. Zeng Shaoxiong	—	113	20	—	133
Mr. Zhao Yan	—	61	11	—	72
Independent non-executive directors					
Ms. Ko Yuk Lan	—	—	—	—	—
Mr. Sun Ruizhe	—	—	—	—	—
Mr. Yao Ge	—	—	—	—	—
Total	—	430	77	—	507

Year ended 31 December 2009

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Shi Hongliu	—	153	28	—	181
Mr. Shi Hongyan	—	170	31	—	201
Mr. Zeng Shaoxiong	—	120	22	—	142
Mr. Zhao Yan	—	61	11	—	72
Independent non-executive directors					
Ms. Ko Yuk Lan	—	—	—	—	—
Mr. Sun Ruizhe	—	—	—	—	—
Mr. Yao Ge	—	—	—	—	—
Total	—	504	92	—	596

Year ended 31 December 2010

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Shi Hongliu	—	612	99	—	711
Mr. Shi Hongyan	—	527	85	—	612
Mr. Zeng Shaoxiong	—	394	64	—	458
Mr. Zhao Yan	—	354	57	—	411
Independent non-executive directors					
Ms. Ko Yuk Lan	—	—	—	—	—
Mr. Sun Ruizhe	—	—	—	—	—
Mr. Yao Ge	—	—	—	—	—
Total	—	1,887	305	—	2,192

Six months ended 30 June 2011

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Shi Hongliu	—	534	86	—	620
Mr. Shi Hongyan	—	467	76	—	543
Mr. Zeng Shaoxiong	—	334	54	—	388
Mr. Zhao Yan	—	334	54	—	388
Independent non-executive directors					
Ms. Ko Yuk Lan	—	—	—	—	—
Mr. Sun Ruizhe	—	12	—	—	12
Mr. Yao Ge	—	12	—	—	12
Total	—	1,693	270	—	1,963

Six months ended 30 June 2010 (unaudited)

	Fee	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Shi Hongliu	—	77	12	—	89
Mr. Shi Hongyan	—	60	10	—	70
Mr. Zeng Shaoxiong	—	60	10	—	70
Mr. Zhao Yan	—	31	5	—	36
Independent non-executive directors					
Ms. Ko Yuk Lan	—	—	—	—	—
Mr. Sun Ruizhe	—	—	—	—	—
Mr. Yao Ge	—	—	—	—	—
Total	—	228	37	—	265

During the Relevant Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the Relevant Period.

Mr. Sun Ruizhe and Mr. Yao Ge were appointed to the independent non-executive directors of the Company on 7 June 2011. Ms. Ko Yuk Lan was appointed to the independent non-executive director subsequent to the Relevant Period and did not receive any remuneration during the Relevant Period.

8. ***Individual with highest emoluments***

Of the five individuals with the highest emoluments, three, three, four, four (unaudited), and four of them in 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively are directors whose remuneration is disclosed in note 7 above. The aggregate of the emoluments in respect of the other two, two, one, one and one individuals in 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Salaries and other emoluments.	200	200	148	60	305
Contributions to retirement benefit scheme .	36	36	24	10	—
	236	236	172	70	305

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

	Year ended 31 December			**Six months ended 30 June**	
	2008	**2009**	**2010**	**2010**	**2011**
	Number of individuals	**Number of individuals**	**Number of individuals**	**Number of individuals**	**Number of individuals**
HK$Nil to 1,000,000	2	2	1	1	1

9. ***Dividends***

Haosha Industry declared dividend of RMB151,705,000 on 12 January 2011.

10. ***Earnings per share***

The calculation of basic earnings per share during the Relevant Period is based on the profit attributable to equity shareholders of the Company for the respective years/period and on the assumption that 1,200,000,000 ordinary shares of the Company were in issue throughout the Relevant Period comprising 200,000 ordinary shares in issue as at the date of the Prospectus, and 1,199,800,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" in the Prospectus.

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

11. *Property, plant and equipment*

	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2008	—	11,960	—	353	12,313
Additions	—	2,789	1,547	835	5,171
At 31 December 2008	—	14,749	1,547	1,188	17,484
Additions	—	412	2,840	325	3,577
At 31 December 2009	—	15,161	4,387	1,513	21,061
Additions	28,780	1,021	996	735	31,532
Transfer from construction in progress	—	10,958	—	—	10,958
Disposals	—	(2,577)	—	(2)	(2,579)
Disposal of subsidiaries	—	—	—	(212)	(212)
At 31 December 2010	28,780	24,563	5,383	2,034	60,760
Additions	—	422	—	252	674
Disposals	—	—	(216)	(154)	(370)
At 30 June 2011	28,780	24,985	5,167	2,132	61,064
Accumulated depreciation:					
At 1 January 2008	—	147	—	8	155
Charge for the year	—	1,557	317	198	2,072
At 31 December 2008	—	1,704	317	206	2,227
Charge for the year	—	1,733	871	391	2,995
At 31 December 2009	—	3,437	1,188	597	5,222
Charge for the year	—	2,595	1,212	530	4,337
Written back on disposals	—	(651)	—	—	(651)
Disposal of subsidiaries	—	—	—	(16)	(16)
At 31 December 2010	—	5,381	2,400	1,111	8,892
Charge for the period	833	1,313	557	264	2,967
Written back on disposals	—	—	(184)	(147)	(331)
At 30 June 2011	833	6,694	2,773	1,228	11,528
Net book value:					
At 31 December 2008	—	13,045	1,230	982	15,257
At 31 December 2009	—	11,724	3,199	916	15,839
At 31 December 2010	28,780	19,182	2,983	923	51,868
At 30 June 2011	27,947	18,291	2,394	904	49,536

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

Buildings are situated on leasehold land with lease term of 45 years in the PRC.

12. ***Construction in progress***

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	—	10,953	—
Additions	—	10,953	5	—
Transfer to property, plant and equipment	—	—	(10,958)	—
At 31 December	—	10,953	—	—

13. ***Intangible assets***

	Software
	RMB'000
Cost:	
At 1 January 2008	—
Additions	50
At 31 December 2008	50
Additions	278
At 31 December 2009	328
Additions	60
At 31 December 2010	388
Additions	54
At 30 June 2011	442
Accumulated amortisation:	
At 1 January and 31 December 2008	—
Amortisation for the year	97
At 31 December 2009	97
Amortisation for the year	140
At 31 December 2010	237
Amortisation for the period	56
At 30 June 2011	293
Net book value:	
At 31 December 2008	50
At 31 December 2009	231
At 31 December 2010	151
At 30 June 2011	149

14. *Lease prepayments*

	RMB'000
Cost:	
At 1 January 2008, 31 December 2008 and 2009	—
Additions	12,104
At 31 December 2010 and 30 June 2011	12,104
Accumulated amortisation:	
At 1 January 2008, 31 December 2008, 2009 and 2010	—
Amortisation for the period	121
At 30 June 2011	121
Net book value:	
At 31 December 2008 and 2009	—
At 31 December 2010	12,104
At 30 June 2011	11,983

On 24 December 2010, Haosha Industry entered into sale and purchase agreements with related companies, Fujian Province Jinjiang City Haosha Garments Co., Ltd. ("Haosha Garments") and Jinjiang Sanxie Apparel Co., Ltd. ("Jinjiang Sanxie") pursuant to which Haosha Industry acquired interests in two pieces of leasehold land from Haosha Garments and Jinjiang Sanxie at considerations of RMB8,600,000 and RMB3,504,000, respectively. The interests in leasehold land are accounted for as lease prepayments in the Group's financial statements.

As at 30 June 2011, the Group's interests in leasehold land are held on a medium-term lease of 45 years in the PRC.

15. *Inventories*

Inventories in the consolidated balances sheets comprise:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	46,515	82,820	25,311	38,852
Work in progress	2,384	2,911	656	2,077
Finished goods	20,073	45,286	25,409	27,587
	68,972	131,017	51,376	68,516

During the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the write-down of inventories to net realisable value amounted to nil, RMB521,000, RMB435,000 and RMB84,000 respectively. The write-downs of inventories are included in cost of sales.

16. *Trade and bill receivables*

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— third parties	15,700	32,021	183,442	123,240
— related parties	32,961	37,611	—	—
	48,661	69,632	183,442	123,240
Bill receivables	—	300	—	600
Less: allowance for doubtful debts	(1,207)	(1,831)	(2,619)	(1,595)
	47,454	68,101	180,823	122,245

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

The movement in the allowance for doubtful debts during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, including specific loss components, is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	1,207	1,831	2,619
Impairment loss recognised/(reversed)	1,207	624	788	(1,024)
At 31 December	1,207	1,831	2,619	1,595

For the years ended 31 December 2008, 2009 and 2010, certain amount of turnover and trade receivables at the balance sheet dates are related to sales made to related parties (see also note 27(a) for further details). There were no specific payment terms stated in the sales agreements. The management considers that these related parties are under common control of the Group's major shareholders and no material credit risk exists on receivables from these related parties.

In respect of sales to third parties before April 2011, there were no specific payment terms stated in the sales agreements. In general, it was mutually understood between the customers and the Group that outstanding trade receivables should be settled within 60 to 90 days. As the sales agreements have no specific payment terms, the management considers that the disclosure of due date aging analysis for the years ended 31 December 2008, 2009 and 2010 is not meaningful to Group. An aging analysis for the years ended 31 December 2008, 2009 and 2010 based on invoice dates is presented below. Normally, the Group does not obtain collateral from customers. Credit evaluations are performed by the senior management on all customers demanding for credit sales.

The aging analysis of trade receivables and bill receivables (net of allowance for doubtful debts) based on invoice dates as at 31 December 2008, 2009 and 2010 is as follows:

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 month	14,590	29,361	48,619
More than 1 month but within 3 months	19,915	17,797	85,719
More than 3 months but within 6 months	11,183	17,165	39,730
More than 6 months but within 1 year	1,387	3,778	6,754
More than 1 year	379	—	1
	47,454	68,101	180,823

Since April 2011, the Group has enhanced credit evaluation and control policy and has adopted specific payment terms in its sales agreements. In general, the credit period granted to customers is 90 days.

As at 30 June 2011, current balance included in trade receivables and bill receivables (net of allowance for doubtful debts) amounted to RMB116,640,000. Amount past due less than three months and that past due more than three months were RMB5,232,000 and RMB373,000, respectively. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

At each of the balance sheet dates, the Group considered whether impairment provision for doubtful debts for trade and other receivables need to be set up. No addition provision was considered necessary at each of the balance sheet dates. Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(j)(i)).

17. Prepayments and other receivables

(a) The Group

Prepayments and other receivables in the consolidated balances sheets comprise:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deposits and prepayments	10,932	15,595	19,591	16,266
Other receivables	5,866	5,513	14,249	2,856
Amounts due from directors	14,456	12,109	—	2
Amounts due from related parties	18,110	68,742	74,540	—
Other assets	—	—	1,722	4,052
	49,364	101,959	110,102	23,176

The amounts due from related parties and directors were unsecured, interest-free and had no fixed repayment terms.

(b) The Company

The balance represents amounts due from directors, and is unsecured, interest free and had no fixed repayment terms.

18. *Pledged deposits*

Bank deposits have been pledged to banks for bill payables (see note 20). The pledged deposits are expected to be released within 12 months.

19. *Bank loans*

All bank loans were denominated in RMB and were repayable within one year.

Details of bank loans and respective effective interest rates are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Unsecured floating rate loans*	39,000	126,880	98,800	—
Effective interest rates per annum	7.47%–8.22%	4.86%–8.22%	4.86%–6.39%	—

* Certain loans are guaranteed by related parties. See note 27(b)(ii) for further details.

20. ***Trade and other payables***

(a) The Group

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables				
— third parties	20,513	30,418	12,127	9,867
— related parties	1,727	10,727	—	3,226
	22,240	41,145	12,127	13,093
Bill payables	41,450	48,860	77,306	34,487
Receipts in advance	2,979	5,010	4,293	2,804
Other payables and accruals	13,016	17,754	31,834	88,351
Amounts due to related parties	134	—	3,406	—
	79,819	112,769	128,966	138,735

Bill payables as at 31 December 2008, 2009 and 2010 and 30 June 2011 were secured by pledged bank deposits (see note 18).

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

The amounts due to related parties were unsecured, interest-free and had no fixed repayment terms.

An ageing analysis of the trade and bills payables based on the invoice date is as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 month	14,251	23,753	9,003	5,268
More than 1 month but within 3 months	14,796	8,313	7,675	11,240
More than 3 months but within 6 months	33,883	44,555	71,728	29,829
More than 6 months	760	13,384	1,027	1,243
	63,690	90,005	89,433	47,580

(b) The Company

The amount represents accrual expenses, and is expected to be settled within one year.

21. ***Employee retirement benefits***

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at the rates of 18% to 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

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

22. *Income tax in the consolidated balance sheets*

(a) Current taxation in the consolidated balance sheets represents:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Provision for PRC income tax	—	—	8,291	11,054

(b) Deferred tax assets

Recognised deferred tax assets are attributable to the following:

	Provision for impairment of trade receivables	Provision for impairment of inventories	Accruals	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2008	—	—	—	—
Credited to consolidated statements of comprehensive income of continuing operations	151	—	1,445	1,596
Credited to consolidated statements of comprehensive income of discontinued operations	—	—	127	127
At 31 December 2008	151	—	1,572	1,723
Credited to consolidated statements of comprehensive income of continuing operations	57	66	1,259	1,382
Credited to consolidated statements of comprehensive income of discontinued operations	21	—	153	174
At 31 December 2009	229	66	2,984	3,279
Credited to consolidated statements of comprehensive income of continuing operations	98	197	1,614	1,909
Credited to consolidated statements of comprehensive income of discontinued operations	—	—	89	89
At 31 December 2010	327	263	4,687	5,277
(Charged)/credited to consolidated statements of comprehensive income of continuing operations	(128)	11	1,218	1,101
At 30 June 2011	199	274	5,905	6,378

(c) Deferred tax assets not recognised

In accordance with note 1(q) of Section C, the Group did not recognise deferred tax assets as at 31 December 2008 and 2009 in respect of cumulative tax losses of RMB569,000 and RMB2,419,000 and unrealised profits of intra-group sales of RMB282,000 and RMB10,255,000, receptively, as it was not probable that future taxable profits against which these deductible temporary differences could be utilised would be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under the current tax legislation. All unrecognised deferred tax assets are related to entities within the discontinued operations.

(d) Deferred tax liabilities not recognised

Prior to the completion of the Reorganisation on 16 March 2011, no withholding tax provision has been recorded by the Group in relation to undistributed earnings of Haosha Industry since Haosha International (H.K.) Limited ("Haosha H.K.") was the holding company of Haosha Industry before the completion of the Reorganisation and was the obligor of any related PRC withholding tax liability.

Upon the completion of the Reorganisation on 16 March 2011, Haosha Industry became a wholly owned subsidiary of the Company. The Group did not recognise deferred tax liabilities as at 30 June 2011 in respect of undistributed earnings of RMB121,447,000, as in the opinion of the directors of the Company, no undistributed earnings will be distributed by Haosha Industry in the foreseeable future.

23. *Paid-in capital*

(a) Paid-in capital

The Company was incorporated on 2 September 2010. The Reorganisation was not completed as at 31 December 2010, hence the paid-in capital in the consolidated balance sheets as at 31 December 2008, 2009 and 2010 represented the paid-in capital of Haosha Industry.

During the years ended 31 December 2008 and 2010 and the six months ended 30 June 2011, Haosha Industry increased its paid-in capital by RMB21,779,000, RMB60,661,000, and RMB2,048,000 respectively.

(b) Share issued upon incorporation of the Company/reorganisation

On 2 September 2010, the Company was incorporated with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and issued 100,000 shares, credited as fully paid.

On 14 January 2011, in connection with the Reorganisation, Hosa Group, acquired 75% and 25% equity interest in Haosha Industry from Haosha H.K. and Haosha Garment for consideration of newly issued 100,000 shares of the Company and RMB30,375,000.

24. *Reserves*

(a) Capital reserve

The capital reserves in the consolidated balance sheets as at 31 December 2008, 2009 and 2010 and 30 June 2011 represented exchange differences and the excess of value of assets injected to Haosha Industry by the investors, which was accounted for in equity under capital reserve.

(b) Statutory reserve

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiary established in the PRC. Transfers to the reserves were approved by the respective boards of directors.

According to the Articles of Association of Haosha Industry, Beijing Yasha, Shanghai Haote and Guangzhou Yingchang, these entities are required to transfer part of its net profits (after offsetting prior year losses), as determined under the approval by the respective boards of directors, to statutory general reserve. For the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2011, appropriations were made by Haosha Industry to the general reserve at 10% of its profit after taxation determined under the PRC accounting rules and regulations.

(c) Exchange reserves

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China.

(d) Other reserve

The other reserve as at 30 June 2011 comprises the following:

— the difference of RMB91,124,000 represents 75% of the historical carrying value of paid-in capital of Haosha Industry amounting RMB91,125,000 acquired over the nominal value of the shares issued by the Company amounting HK$1,000 (RMB equivalent of approximately RMB1,000) as consideration (see note 23(b)); and

— the difference of HK$9,999 (RMB equivalent of approximately RMB8,000) between the historical carrying value of entire paid-in capital of Hosa Group amounting to HK$10,000 and the consideration of HK$1 acquired by Hosa Investment.

(e) Distributable reserves

There was no reserve available for distribution by the Company to its shareholders at 30 June 2011.

Prior to completion of the Reorganisation and on the basis set out in Section A above, the aggregate amount of distributable reserves as at 31 December 2008, 2009 and 2010 of the companies now comprising the Group were RMB27,110,000, RMB51,639,000 and RMB157,406,000 respectively.

(f) Capital management

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and bill payables), less cash and capital is defined as the total equity.

The Group's adjusted net debt-to-capital ratio was 68%, 133% and 31% as at 31 December 2008, 2009 and 2010. The Group had net cash at 30 June 2011. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Neither the Company nor any of the companies comprising the Group are subject to externally imposed capital requirements.

25. *Financial risk management and fair value*

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables.

For the years ended 31 December 2008 and 2009, certain amounts of turnover and trade receivables are related to sales to the related parties (see note 27(a) for further details). The management considers that related parties are under common control of the Group's major shareholders, hence no material credit risk exists on related companies sales.

For sales to third party customers, credit evaluations are performed by the senior management on customers requiring credit terms. Normally, the Group does not obtain collateral from customers.

At 31 December 2008 and 2009, the Group has certain concentration of credit risk as 69% and 55% of the total trade receivables were due from the Group's related party customers. There were no trade receivables outstanding from related parties as at 31 December 2010 and 30 June 2011 as these parties ceased to carry on the retail business. As at 31 December 2008, 2009 and 2010 and 30 June 2011, 9%, 9%, 35% and 37% of the total trade receivables were due from the Group's five largest non-related customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

(c) Interest rate risk

The interest rate risk of the Group is mainly derived from its bank loans, which expose the Group to interest rate risk. The interest rates of the Group's bank loans are disclosed in note 19.

A general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have (decreased)/ increased the Group's profit after tax by an amount as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
100 basis point increase	(390)	(1,269)	(865)	(1,375)	—

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date.

(d) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, cash at bank that were placed with banks in the PRC amounted to RMB16,417,000, RMB14,023,000, RMB82,489,000 and RMB59,048,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

The Group was also exposed to foreign currency risk primarily through sales that are denominated in currencies other than the functional currency of the Group. However, the Group' exposures to currency risk were insignificant as at 31 December 2008, 2009 and 2010, as the Group usually receives prepayments before delivery for the export sales. The Group had no significant foreign exchange exposure in the six months ended 30 June 2011 as the Group substantially ceased its export activities.

(e) Fair value

The carrying amounts of the Group's financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008, 2009 and 2010 and 30 June 2011. The carrying values of the Group's financial instruments approximate their fair values because of the short maturities of these instruments.

26. *Operating leases commitments*

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,498	1,449	1,833	2,740
After 1 year but within 5 years	5,671	5,491	2,749	2,647
After 5 years	4,393	3,295	—	—
	12,562	10,235	4,582	5,387

The Group leases properties and land under operating leases. The leases typically run for an initial period for two to ten years, with an option to renew when all terms are renegotiated. None of the lease includes contingent rentals.

27. *Material related party transactions*

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

During the Relevant Period, the directors are of the view that the following are related parties of the companies now comprising the Group:

Name of party	Relationship
Mr. Shi Hongliu	Shareholder, brother of Mr. Shi Hongyan and Mr. Shi Huangpao
Mr. Shi Hongyan	Shareholder, brother of Mr. Shi Hongliu and Mr. Shi Huangpao
Mr. Shi Huangpao	Shareholder, brother of Mr. Shi Hongliu and Mr. Shi Hongyan
Haosha International (H.K.) Ltd. ("Haosha H.K.")	Effectively 41% and 22% owned by Mr. Shi Hongliu and Mr. Shi Hongyan respectively
Haosha (China) Co., Ltd.* ("Haosha China") 浩沙 (中國) 有限公司	100% owned by Haosha H.K.
Haosha (Shanghai) Textile Technology Co., Ltd* ("Haosha Textile") 浩沙 (上海) 紡織科技有限公司	100% owned by Haosha H.K.
Fujian Province Jinjiang City Haosha Garments Co., Ltd.* ("Haosha Garments") 福建省晉江市浩沙製衣有限公司	55% and 25% owned by Mr. Shi Hongliu and Mr. Shi Hongyan respectively
Haosha Aiya (Beijing) Fitness Service Co., Ltd.* ("Beijing Aiya") 浩沙艾雅（北京）健身服務有限公司	50% and 50% owned by Mr. Shi Hongliu and Mr. Shi Hongyan respectively
Shanghai Xingchi Apparel Co., Ltd.* ("Shanghai Xingchi") 上海興馳服飾有限公司	80% and 20% owned by Mr. Shi Hongliu and Mr. Shi Hongyan respectively (ceased to be related party since 30 July 2010)
Guangzhou Huayuan Apparel Co., Ltd.* ("Guangzhou Huayuan") 廣州華源服飾有限公司	60% and 40% owned by Mr. Shi Hongyan and Ms. Xu Jinfeng, the spouse of Mr. Shi Hongyan respectively (ceased to be related party since 30 July 2010)
Jinjiang Shahe Fabric Trading Co., Ltd.* ("Jinjiang Shahe") 晉江沙禾布業貿易有限公司	50% owned by Ms. Shi Liming, the sister of Mr. Shi Hongyan, Mr. Shi Hongliu and Mr. Shi Huangpao
Jinjiang Sanxie Apparel Co., Ltd.* ("Jinjiang Sanxie") 晉江三協服裝有限公司	55% and 45% owned by Mr. Shi Hongliu and Mr. Shi Hongyan
Shanghai Haosha Fitness Management Co., Ltd.* ("Fitness Management") 上海浩沙健身管理有限公司	55% and 45% owned by Mr. Shi Hongyan and Mr. Shi Hongliu respectively
Shanghai Haosha Fitness services Co., Ltd.* ("Fitness Services") 上海浩沙健身服務有限公司	100% owned by Fitness Management
Hosa International Fitness Management Co., Ltd.* ("International Fitness") 浩沙國際健身管理有限公司	70% and 30% owned by Mr. Shi Hongliu and Ms. Lam Yau Yung, the spouse of Mr. Shi Hongliu respectively
Fujian Hosa investment Co., Ltd.* ("Fujian Haosha Investment") 福建浩沙投資有限公司	67% and 33% owned by Mr. Shi Hongyan and Mr. Wu Changda, the brother-in-law to Mr. Shi Hongyan respectively

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

Included in the balances as at 31 December 2008, 2009 and 2010 and 30 June 2011 set out in note 27(b) are unsecured, interest free advance made to/from related parties of the Group. Advances to and from related parties are set out as below:

(a) Related parties transactions

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of products from					
— Beijing Aiya	469	9,639	7,166	7,166	—
— Guangzhou Huayuan	—	619	304	304	—
	469	10,258	7,470	7,470	—
Leases from					
— Mr. Shi Hongyan	14	24	14	12	—
Leases from					
— Haosha Garments	384	1,098	981	555	2
Purchases of buildings					
— Haosha Garments	2,940	—	24,301	—	—
— Jinjiang Sanxie	—	—	4,479	—	—
	2,940	—	28,780	—	—
Disposal of property, plant and equipment to					
— Haosha Garments	—	—	2,019	—	—
Purchase of interest in leasehold land from					
— Haosha Garments	—	—	8,600	—	—
— Jinjiang Sanxie	—	—	3,504	—	—
	—	—	12,104	—	—
Leases equipments to					
— Haosha Garments	—	—	1,175	776	103
Short-term advances to related parties of the Group					
— Mr. Shi Hongliu	15,950	2,400	4,880	4,080	—
— Mr. Shi Hongyan	15,500	16,930	12,027	10,146	—
— Haosha Garments	—	7,532	30,301	5,700	—
— Beijing Aiya	—	19,000	47,070	40,460	2,000
— Shanghai Xingchi	—	2,800	—	—	—
— Haosha China	—	27,689	1,769	1,743	—
— Fitness Services	1,000	13,700	11,660	9,200	—
— Jinjiang Sanxie	11,000	39,950	15,910	13,220	—
— Fitness Management	—	136	23,000	23,000	—
— Jinjiang Shahe	—	72,170	128,140	76,840	—
— Guangzhou Huayuan	—	—	160	—	—
— Guangzhou Yingchang	—	—	2,700	—	—
— Fujian Haosha Investment	—	—	5,000	—	—
	43,450	202,307	282,617	184,389	2,000
Sales of products to					
— Beijing Aiya	45,662	4,854	—	—	—
— Shanghai Xingchi (up to 30 July 2010)	48,573	36,798	15,906	14,906	—
— Guangzhou Huayuan (up to 30 July 2010)	19,569	18,815	8,191	8,191	—
— International Fitness	—	7,182	53	53	—
	113,804	67,649	24,150	23,150	—

The Group sold products to Beijing Aiya, Shanghai Xingchi and Guangzhou Huayuan with average profit margin from 44% to 47% to 51% during the years ended 31 December 2008, 2009 and 2010, respectively. The directors consider that no further sales will be made to Beijing Aiya, Shanghai Xingchi and Guangzhou Huayuan as these entities have ceased to carry on its retail business.

The directors of the Company have confirmed that the above transactions will not be continued in the future after the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

In addition, the Group had the following significant transactions with related parties. The directors expect the transactions below will be continued in the future, after the listing of the Company's share on The Stock Exchange of Hong Kong Limited.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of products					
— Haosha Garments	16,168	1,669	1,203	1,203	—
Receiving processing services					
— Haosha Garments	9,801	12,605	21,241	14,406	9,010

(b) Balances with directors and related parties

As at each balance sheet date, the Group had the following balances with directors and related parties:

(i) *Amounts due from directors and related parties*

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-related				
Trade receivables				
— Beijing Aiya	12,760	10,155	—	—
— Shanghai Xingchi	14,099	18,291	—	—
— Guangzhou Huayuan	6,102	9,096	—	—
— International Fitness	—	69	—	—
	32,961	37,611	—	—
Prepayments				
— Haosha Garments	—	2,792	—	—
	32,961	40,403	—	—
Non-trade related				
Other receivables				
— Haosha Garments	17,110	8,775	—	—
— Beijing Aiya	—	19,000	45,360	—
— Shanghai Xingchi	—	2,800	—	—
— Fitness Service	1,000	7,500	11,180	—
— Jinjiang Sanxie	—	4,870	—	—
— Haosha China	—	11,491	—	—
— Jinjiang Shahe	—	14,170	—	—
— Fitness Management	—	136	18,000	—
— Shi Hongliu	8,606	1,789	—	1
— Shi Hongyan	5,850	10,320	—	1
	32,566	80,851	74,540	2
	65,527	121,254	74,540	2

(ii) *Amounts due to directors and related parties*

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade related				
Trade payables				
— Haosha Garments	1,258	—	—	3,226
— Beijing Aiya	469	10,108	—	—
— Guangzhou Huayuan	—	619	—	—
	1,727	10,727	—	3,226
Non-trade related				
Other payables				
— Haosha China	134	—	20	—
— Shi Hongliu	—	—	3,386	—
	1,861	10,727	3,406	—

The amounts due from/to related parties as at 31 December 2008, 2009 and 2010 and 30 June 2011 are unsecured, interest free and have no fixed repayment terms. These amounts are expected to be recovered/repaid within one year. There was no provision made against these amounts due from related parties as at 31 December 2008, 2009 and 2010 and 30 June 2011.

As at 31 December 2008, 2009 and 2010, guarantees were given by Mr. Shi Hongyan, Mr. Shi Hongliu, Mr. Shi Huangpao, Jinjiang Sanxie and Haosha Garments in respect of loans to the Group totalling to RMB39,000,000, RMB107,080,100 and RMB65,800,000 respectively.

(c) Key management personnel compensation

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

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Short-term employee benefits	1,323	1,491	2,639	345	2,672
Contributions to retirement benefit scheme	228	257	427	56	383
Total	1,551	1,748	3,066	401	3,055

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

28. *Subsidiaries*

(a) Investment in subsidiaries is stated at cost and details of the subsidiaries as at 31 December 2010 and 30 June 2011 are set out in section A.

(b) At 31 December 2008 and 2009, Haosha Industry had direct interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/registered capital	Proportion of equity direct interest attributable to Haosha Industry	Principal activities
Beijing Yasha Apparel Co., Ltd.* (北京雅莎服飾有限公司)	PRC/26 June 2008	RMB5,000,000/ RMB5,000,000	100%	Retail of swimwear, fitness wear, sports underwear and accessories
Shanghai Haote Apparel Co., Ltd.* (上海浩特服飾有限公司)	PRC/8 July 2008	RMB5,000,000/ RMB5,000,000	100%	Dormant
Guangzhou Yingchang Apparel Co., Ltd.* (廣州穎昌服飾有限公司)	PRC/10 June 2008	RMB3,080,000/ RMB3,080,000	100%	Retail of swimwear, fitness wear, sports underwear and accessories

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

On 30 July 2010, all of the above three subsidiaries were disposed to third party buyers.

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

Name of company	Financial period	Statutory auditors
Hosa Group	Period ended 31 December 2010	KPMG
Haosha Industry	Year ended 31 December 2008	Xiamen Dashan Certified Public Accountants Co., Ltd.* 廈門達山會計師事務所有限公司
	Year ended 31 December 2009	Xiamen Liangcheng Certified Public Accountants Co., Ltd.* 廈門良誠會計師事務所
	Year ended 31 December 2010	Quanzhou Fengze Chengyuan Certified Public Accountants Co., Ltd. 泉州豐澤誠源聯合會計師事務所
Guangzhou Yingchang	Period ended 31 December 2008 and year ended 31 December 2009	Guangzhou Haizheng Certified Public Accountants Co., Ltd.* 廣州海正會計師事務所有限公司

No statutory auditors have been appointed by Beijing Yasha and Shanghai Haote since these were established and before these were disposed by the Group.

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

29. *Significant accounting estimates and judgements*

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

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

(a) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Net realisable value of inventories

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

(c) Impairment of trade and other receivables

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

(d) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Intangible assets except for those with an indefinite live are amortised on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

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

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in preparing the Financial Information.

		Effective for accounting periods beginning on or after
Amendments to IAS 12	Income taxes — Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to IAS 1	Presentation of financial statements — Presentation of items of other comprehensive income	1 July 2012
IFRS 9	Financial instruments (2010)	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separate financial statements (2011)	1 January 2013
Revised IAS 19	Employee benefits	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in material impacts to the Group's results of operations and financial position.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2011.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong