Boshiwa

Boshiwa International Holding Limited
博 士 蛙 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1698)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

2011 INTERIM RESULTS HIGHLIGHTS

Revenue increased by 47.4% to RMB876.7 million

Profit before tax increased by 9.2% to RMB186.7 million

Profit attributable to owners of the Company increased by 11.9% to RMB130 million

Basic earnings per share attributable to ordinary shareholders decreased by 19.2% to RMB6.3 cents

The number of retail outlets increased by 10.9% to 1,724

The board of directors (the "Directors") (the "Board") of Boshiwa International Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011, together with comparative figures for the preceding six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTES	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Revenue	4	**876,724**	594,934
Cost of sales		**(488,484)**	(332,041)
Gross profit		**388,240**	262,893
Investment income	5	**2,831**	330
Other gains and losses	5	**(4,702)**	19,794
Distribution and selling expenses		**(165,163)**	(63,435)
Administrative expenses		**(33,954)**	(37,128)
Interest on borrowings wholly repayable within five years		**(571)**	(11,427)
Profit before tax	6	**186,681**	171,027
Income tax expense	7	**(56,705)**	(54,842)
Profit for the period attributable to owners of the Company		**129,976**	116,185
Other comprehensive income for the period			
Net loss arising on revaluation of available-for-sale investments during the period		**(1,584)**	—
Reclassification adjustments relating to available-for-sale investments disposed of during the period		**4,451**	—
		2,867	—
Total comprehensive income for the period attributable to owners of the Company		**132,843**	116,185
Earnings per share — basic (RMB cents per share)	8	**6.26**	7.75

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	NOTES	**30 June 2011** *RMB'000* *(Unaudited)*	31 December 2010 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		**222,379**	190,271
Prepayments for acquisition of property, plant and equipment		**35,129**	64,639
Prepayments for acquisition of computer software		**21,261**	24,150
Prepaid lease payments — non-current		**6,021**	6,151
Investment property		**3,117**	3,178
Intangible assets		**13,310**	10,727
Deferred tax assets		**7,723**	9,474
Investments in securities		**—**	294,045
Rental deposits		**12,217**	7,253
TOTAL NON-CURRENT ASSETS		**321,157**	609,888
CURRENT ASSETS			
Inventories		**711,507**	354,047
Trade and other receivables	10	**676,000**	480,865
Prepaid lease payments — current		**260**	260
Loan receivables		**19,000**	19,000
Investments in securities		**476,365**	31,789
Amount due from a related party		**2,280**	2,280
Pledged bank deposits		**—**	2,625
Deposit		**110,000**	—
Bank balances and cash		**882,826**	1,690,155
TOTAL CURRENT ASSETS		**2,878,238**	2,581,021
TOTAL ASSETS		**3,199,395**	3,190,909

	NOTES	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	11	**128,462**	203,299
Tax liabilities		**57,010**	71,193
Dividends payable		**10,403**	—
Short-term borrowings		**—**	10,000
Deferred revenue		**19,484**	24,752
TOTAL CURRENT LIABILITIES		**215,359**	309,244
Net current assets		**2,662,879**	2,271,777
Total assets less current liabilities		**2,984,036**	2,881,665
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**—**	1,500
Total net assets		**2,984,036**	2,880,165
CAPITAL AND RESERVES			
Share capital		**904**	904
Reserves		**2,983,132**	2,879,261
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**2,984,036**	2,880,165

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Attributable to owners of the Company						
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserves** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Investments revaluation reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
At 1 January 2010 (Audited)	1	—	141,584	18,154	—	181,565	341,304
Profit and total comprehensive income for the period	—	—	—	—	—	116,185	116,185
Acquisition of a special purpose entity *(note a)*	—	—	868	—	—	—	868
Capital contribution from owners of the Company	—	—	120,613	—	—	—	120,613
Appropriation to statutory surplus reserve *(note b)*	—	—	—	26,082	—	(26,082)	—
Dividends	—	—	—	—	—	(257,000)	(257,000)
At 30 June 2010 (Audited)	1	—	263,065	44,236	—	14,668	321,970
At 1 January 2011 (Audited)	904	2,357,072	331,325	46,077	(2,867)	147,654	2,880,165
Profit for the period	—	—	—	—	—	129,976	129,976
Other comprehensive income for the period	—	—	—	—	2,867	—	2,867
Total comprehensive income for the period	—	—	—	—	2,867	129,976	132,843
Dividends	—	—	—	—	—	(28,972)	(28,972)
At 30 June 2011 (Unaudited)	904	2,357,072	331,325	46,077	—	248,658	2,984,036

Notes:

(a) Capital reserves

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

(b) Statutory surplus reserve

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
OPERATING ACTIVITIES		
Profit before tax	**186,681**	171,027
Adjustments for:		
Finance costs	**571**	11,427
Interest income	**(1,226)**	(38)
Investment income from available-for-sale investments	**(1,301)**	—
Rentals from investment property	**(304)**	(292)
Net foreign exchange losses	**17,227**	—
Impairment loss recognised in respect of trade and other receivables	**1,299**	—
Depreciation and amortisation of property, plant and equipment and investment property	**18,022**	4,798
Amortisation of prepaid lease payments	**130**	130
Amortisation of intangible assets	**83**	—
(Recovery) write-down of inventories	**(6,714)**	344
Loss on fair value changes of held for trading investments	**1,719**	—
Loss from disposal of available-for-sale investments	**4,452**	—
Operating cash flows before movements in working capital	**220,639**	187,396
Increase in inventories	**(350,746)**	(75,949)
Increase in trade and other receivables	**(195,922)**	(67,638)
Increase in rental deposits	**(4,964)**	—
Net increase in held for trading investments	**(462,068)**	—
(Decrease) increase in trade and other payables	**(54,019)**	25,576
Decrease in deferred revenue	**(5,268)**	—
Cash (used in) generated from operations	**(852,348)**	69,385
Interest paid	**(571)**	(4,634)
Income taxes paid	**(70,637)**	(46,658)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(923,556)**	18,093

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
INVESTING ACTIVITIES		
Interest received from bank deposits	**1,226**	38
Rentals received from investment property	**304**	292
Investment income received from available-for-sale investments	**1,301**	—
Proceeds from disposal of available-for-sale investments	**292,460**	—
Proceeds from disposal of held-to-maturity investments	**31,118**	—
Pledge of bank deposits	**—**	(22,372)
Withdrawal of pledged bank deposits	**2,625**	—
Deposit paid for acquisition of short-term loans and receivables	**(110,000)**	—
Payments and prepayments for acquisition of property, plant and equipment	**(20,696)**	(16,447)
Payments for acquisition of intangible assets	**(152)**	—
Increase in amount due from a former shareholder	**—**	(243)
Payments to acquire held-to-maturity investments	**(16,016)**	—
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**182,170**	(38,732)
FINANCING ACTIVITES		
Proceeds from borrowings	**150,000**	181,833
Proceeds from capital contribution by a former shareholder	**—**	119,933
Payments of transaction costs attributable to issue of new shares	**(20,818)**	—
Repayments of borrowings	**(160,000)**	(189,670)
Dividends paid	**(18,569)**	(47,264)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(49,387)**	64,832
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(790,773)**	44,193
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,690,155**	65,762
Effects of foreign exchange rate changes	**(16,556)**	—
CASH AND CASH EQULVALENTS AT 30 JUNE represented by bank balances and cash	**882,826**	109,955

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Boshiwa International Holding Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of Cayman Islands on 24 March 2009. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 29 September 2010. The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are the designing, sourcing and marketing of children's products.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with International Accounting Standard 34 (IAS 34), *Interim Financial Reporting*.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

During the six months ended 30 June 2011, the Group acquired certain investments that are classified as held for trading. The fair value of these held for trading investments amounted to RMB460,349,000 as at 30 June 2011 and the accounting policy is as follows:

Held for trading investments

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held for trading investments are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new and revised IFRSs").The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 July 2012

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

Revenue analysed by major products categories are as follows:

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Revenue from:		
Children's apparel and accessories	**593,509**	449,339
Other children's products	**283,215**	145,595
Total revenue	**876,724**	594,934

5. INVESTMENT INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Investment income:		
Interest on bank deposits	**1,226**	38
Investment income from available-for-sale investments	**1,301**	—
Rentals from investment property	**304**	292
	2,831	330
Other gains and losses:		
Government grants *(note 1)*	**16,506**	19,443
Net foreign exchange (losses) gains *(note 2)*	**(20,018)**	374
Cumulative loss reclassified from equity on disposal of available-for-sale investments	**(4,452)**	—
Net gain arising on held for trading investments	**3,164**	—
Others	**98**	(23)
	(4,702)	19,794

Notes:

1. The government grant for the six months ended 30 June 2011 and 30 June 2010 represented the amount of approximately RMB16,506,000 and RMB19,443,000, respectively, received from Shanghai Yangpu District Investment Service Center (上海市楊浦區招商服務中心), and the amount is calculated based on the current taxes paid by the Group.

2. It represented exchange losses mainly arising from bank balances denominated mainly in Hong Kong dollars.

6. PROFIT BEFORE TAX

	Six months ended 30 June **2011** *RMB'000* ***(Unaudited)***	2010 *RMB'000* *(Audited)*
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	**488,484**	332,041
Minimum operating lease rentals in respect of rented premises	**41,596**	11,132
Contingent operating lease rentals (mainly concessionaire fees) in respect of rented premises	**19,691**	18,246
Depreciation of property, plant, and equipment	**17,961**	4,737
Allowance for doubtful debts	**1,299**	—
Amortisation of prepaid lease payments	**130**	130
Depreciation of investment property	**61**	61
(Recovery of) write-down of inventories (included in cost of sales)	**(6,714)**	344

7. INCOME TAX EXPENSE

	Six months ended 30 June **2011** *RMB'000* ***(Unaudited)***	2010 *RMB'000* *(Audited)*
Current tax:		
PRC Enterprise Income Tax	**54,954**	58,856
Deferred tax charge (credit):	**1,751**	(4,014)
Total tax expense	**56,705**	54,842

The Company and its subsidiary incorporated in the British Virgin Islands are tax exempted companies in the PRC and Hong Kong for both periods as they did not have operations there. The applicable income tax rate for the Group's subsidiary incorporated in Hong Kong is 16.5% for both six-month periods ended 30 June 2011 and 30 June 2010. The applicable income tax rate for the Group's PRC subsidiaries is 25% for both six-month periods ended 30 June 2011 and 30 June 2010.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**129,976**	116,185
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,075,000,000**	1,500,000,000

For the six months ended 30 June 2010, the weighted average number of ordinary shares has been adjusted retrospectively for the 1,499,800,000 shares issued pursuant to the capitalisation issue.

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

9. DIVIDENDS

During the six months ended 30 June 2011, a final dividend of RMB1.4 cents per share in respect of the year ended 31 December 2010 was declared to the owners of the Company, and the aggregate dividends amounted to RMB28,972,000. During the six months ended 30 June 2010, dividends of approximately RMB257,000,000 were declared by the Company. The directors do not recommend the payment of an interim dividend.

10. TRADE AND OTHER RECEIVABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**466,169**	289,263
Less: Allowance for doubtful debts	**(1,003)**	(1,008)
	465,166	288,255
Advance payments to suppliers	**163,983**	153,468
Other receivables	**39,083**	38,284
Less: Allowance for other receivables	**(2,837)**	(1,533)
Value-added-tax recoverable	**5,711**	—
Investment income receivables	**2,704**	—
Rental deposits	**2,190**	2,391
	676,000	480,865

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 30 days	**168,539**	162,200
31 to 90 days	**205,702**	95,660
91 to 180 days	**80,896**	18,646
Over 180 days	**10,029**	11,749
	465,166	288,255

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

11. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	**84,118**	70,338
Other payables	**24,356**	44,976
Accruals	**14,272**	12,291
Advance payments from customers	**3,239**	21,150
Payroll payables	**2,045**	9,037
Value-added tax payables	**432**	45,507
	128,462	203,299

As at 30 June 2011 and 31 December 2010, other payables mainly represented payable for initial public offering expenses and deposit received from distributors.

The following is an aged analysis of trade payables at the end of the reporting period based on invoice date:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 90 days	**76,215**	67,872
91 to 180 days	**4,868**	1,269
Over 180 days	**3,035**	1,197
	84,118	70,338

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2011, our Group continued its efforts in store expansion and marketing and actively expanded the cross-selling retail network covering department store concessions, Boshiwa street shops and Boshiwa 365 stores and Boshiwa 365 flagship stores, so as to boost our continuous growth in market shares of our brands. The number of the Group's self-operated retail outlets and those operated by third parties increased from 1,555 stores as at 31 December 2010 to 1,724 stores as at 30 June 2011, among which brand department store concessions increased to 1,626; Boshiwa street shops increased to 38; Boshiwa 365 stores increased to 44 and Boshiwa 365 flagship stores increased to 16.

Financial Review

The Group maintained its rapid and continuous growth. For the six months ended 30 June 2011, our revenue and operating income recorded RMB876.7 million and RMB130.0 million respectively, representing an increase of 47.4% and 11.9% over the corresponding period last year.

Revenue

The revenue of the Group increased by 47.4% from RMB594.9 million for the six months ended 30 June 2010 to RMB876.7 million for the six months ended 30 June 2011, primarily as a result of a rapid increase in our revenue derived from sales of children's apparel, footwear and accessories and other children's products. This increase was primarily attributable to the increase in sales volume resulting from the continuous expansion of our sales network, including the addition of, as compared with that of the end of 30 June 2010, 7 flagship stores, 6 Boshiwa 365 stores, 13 street shops and 223 department store concessions, which are all self-managed, and the addition of 2 flagship stores, 5 Boshiwa 365 stores, 1 street shop and 341 department store concessions, which are all operated by authorized third-party. In addition, we sped up the research and development and expanded our product offerings during the six months ended 30 June 2011 in order to boost the rapid growth of revenue. The revenues derived from the sales of children's apparel, footwear and accessories and other children's products increased from RMB449.3 million and RMB145.6 million for the six months ended 30 June 2010 to RMB593.5 million and RMB283.2 million for the six months ended 30 June 2011 respectively.

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

	Six months ended 30 June				
	2011		2010		
	Revenue	**% of Revenue**	Revenue	% of Revenue	**Growth rate %**
	(RMB million, except percentage)				
By product category					
Children's apparel, footwear and accessories	**593.5**	**67.7**	449.3	75.5	**32.1**
Other children's product	**283.2**	**32.3**	145.6	24.5	**94.5**
Total	**876.7**	**100.0**	594.9	100.0	**47.4**

Cost of Sales

Our cost of sales mainly consists of costs for purchasing finished goods and merchandise. Our cost of sales increased from RMB332.0 million for the six months ended 30 June 2010 to RMB488.5 million for the six months ended 30 June 2011, representing a growth of 47.1%. The increase in cost of sales was slightly less than the increase in sales revenue, primarily due to lower procurement costs obtained as result of our increased bargaining power over suppliers with increase in purchases. Meanwhile, we continued to make an advance payment for purchasing part of children's clothes within the six months ended 30 June 2011 to lower purchase price.

The cost of sales of our children's apparel, footwear and accessories and other children's products increased from RMB227.7 million and RMB104.3 million for the six months ended 30 June 2010 to RMB275.6 million and RMB212.9 million for the six months ended 30 June 2011, respectively.

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

	Six months ended 30 June				
	2011		2010		
	Cost of Sales	**% of Cost of sales**	Cost of sales	% of Cost of sales	**Growth rate %**
	(RMB million, except percentage)				
By product category					
Children's apparel, Footwear and accessories	**275.6**	**56.4**	227.7	68.6	**21.0**
Other children's products	**212.9**	**43.6**	104.3	31.4	**104.1**
Total	**488.5**	**100.0**	332.0	100.0	**47.1**

Gross Profit

Due to the above reasons, our gross profit increased significantly from RMB262.9 million for the six months ended 30 June 2010 to RMB388.2 million for the six months ended 30 June 2011. Our gross profit margin was 44.2% for the six months ended 30 June 2010, which is similar to 44.3% for the six months ended 30 June 2011. Our gross profit derived from sales of children's apparel, footwear and accessories and other children's products increased from RMB221.6 million and RMB41.3 million for the six months ended 30 June 1010 to RMB317.9 million and RMB70.3 million for the six months ended 30 June 2011, respectively.

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

	Six months ended 30 June				
	2011		2010		
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	**Growth rate %**
	(RMB million, except percentage)				
By product category					
Children's apparel, Footwear and accessories	**317.9**	**53.6**	221.6	49.3	**43.5**
Other children's products	**70.3**	**24.8**	41.3	28.4	**70.2**
Total	**388.2**	**44.3**	262.9	44.2	**47.7**

Other Gains and Losses

Other gains and losses of the Group decreased from the net gains of RMB19.8 million for the six months ended 30 June 2010 to the net losses of RMB4.7 million for the six months ended 30 June 2011, primarily due to the exchange loss incurred for the six months ended 30 June 2011 amounted to RMB20.0 million (six months ended 30 June 2010: foreign income of RMB0.4 million). This is mainly due to the funds (in Hong Kong dollar) raised by our listing experienced a drop in exchange rate for RMB during the six months ended 30 June 2011, resulting in loss in translation from our reporting currency to RMB.

In addition, other gains and losses also included government grants of the Group amounted to RMB16.6 million. The government grants were received from Shanghai Yangpu District Investment Service Center (上海市楊浦區招商服務中心). These grants are determined and are calculated based on our tax payments.

Distribution and Selling Expenses

Our distribution and selling expenses primarily include concession fees and rental expenses, promotional event and advertisement expenses, salaries and benefits for sales staff, packaging and transportation expenses, depreciation and amortization expenses and other expenses. Our distribution and selling expenses increased from RMB63.4 million for the six months ended 30 June 2010 to RMB165.2 million for the six months ended 30 June 2011, which was primarily due to the increase in concession fees and rental expenses, promotional event and advertising expenses, salaries and benefits of sales personnels, depreciation and amortization expenses, and other expenses. Our concession fees and rental expenses increased significantly, primarily because we continuously expanded our sales network, including the addition of 9 flagship stores, 11 Boshiwa 365 stores, 14 street shops and 564 department store concessions, and our Group paid the rental fees for the retail outlets operated by third parties. Our salaries and benefits increased primarily because we employed more personnel due to the expansion of our business. The expenses in promotional event and advertisement substantially increased, mainly due to the fact that our focus on advertising and promotion has been enhanced for the six months ended 30 June 2011. Our salaries and benefits increased primarily because we employed more personnel due to the expansion of our business. Depreciation and amortization expenses significantly increase mainly due to the continuous expansion of our sales channels, resulting in substantial increase in equipments.

In addition, other expenses of the Group also increased, primarily due to the increase in license fees as a result of the addition of licensed brands, such as NBA, Barcelona, Juventus, Manchester United, Bob the Builder and Thomas and Friends. Daily operational expenses such as travel expenses, materials consumed for the operation of retail shops and other business charges increased.

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

	Six months ended 30 June				
	2011		2010		
	Expenses	**% of revenue**	Expenses	% of revenue	**Growth rate %**
	(RMB million, except percentage)				
Concession fees and rental expenses	**61.3**	**7.0**	29.4	4.9	**108.5**
Promotional event and advertisement	**45.5**	**5.2**	10.5	1.8	**333.3**
Salaries and benefits	**23.5**	**2.7**	12.9	2.2	**82.2**
Packaging and transportation expenses	**3.7**	**0.4**	2.6	0.4	**42.3**
Depreciation and amortization	**14.4**	**1.6**	2.7	0.5	**433.3**
Others[1]	**16.8**	**1.9**	5.3	0.9	**217.0**
Total	**165.2**	**18.8**	63.4	10.7	**160.6**

Note:

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

Administrative Expenses

Our administrative expenses primarily consist of salaries and benefits for managerial personnel and administrative personnel, depreciation and amortization expenses, research and development expenses, professional fees, consulting and design fees and others. Administrative expenses decreased from RMB37.1 million for the six months ended 30 June 2010 to RMB34.0 million for the six months ended 30 June 2011. The decrease in administrative expenses was mainly due to the decrease in the intermediary fees arising from the Initial Public Offer of the Group.

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

	Six months ended 30 June				
	2011		2010		
	Expenses	**% of revenue**	Expenses	% of revenue	**Growth rate %**
	(RMB million, except percentage)				
Salaries and benefits	**8.2**	**0.9**	8.2	1.4	**—**
Depreciation and amortization	**3.8**	**0.4**	2.1	0.4	**81.0**
Research and development expenses	**2.6**	**0.3**	1.3	0.2	**100.0**
Professional fees	**2.3**	**0.3**	18.8	3.2	**(87.8)**
Consulting and designs fees	**7.1**	**0.8**	—	—	**—**
Others[(1)]	**10.0**	**1.1**	6.7	1.1	**49.3**
Total	**34.0**	**3.9**	37.1	6.2	**(8.4)**

Note:

(1): Others primarily include bank charges, travel expenses and conference fees.

Finance Costs

Our finance costs for the six months ended 30 June 2011 was RMB0.6 million, compared with RMB11.4 million for the six months ended 30 June 2010. The decrease in finance costs was primarily due to the full settlement of all loans by the Group.

Income Tax Expenses

Our income tax expenses incurred for the six months ended 30 June 2010 and 2011 were RMB54.8 million and RMB56.7 million, respectively. Income tax expenses increased by RMB1.9 million, mainly due to the increase in our taxable income. Our effective tax rates were 30% and 32% for the six months ended 30 June 2010 and 2011, respectively. The relatively high in effective tax rate in 2010 was primarily due to withholding tax occurred as a result of making the payment of dividends prior to the listing.

Profit for the Period

Due to the above reasons, our profit increased by RMB13.8 million from RMB116.2 million for the six months ended 30 June 2010 to RMB130.0 million for the six months ended 30 June 2011.

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

The table below sets forth the turnover days of our inventories, trade receivables and trade payables for the period/year indicated:

	The six months ended 30 June 2011 ***(number of days)***	The year ended 31 December 2010 *(number of days)*
Average turnover days of inventory	**201**	117
Average turnover days of trade receivables	**78**	72
Average turnover days of trade payables	**28**	34

Inventory

Our inventory generally consisted of the purchase of finished goods, merchandise and certain raw materials (primarily including the packaging materials). The Group's average turnover days of inventory for the six months ended 30 June 2011 and for the year ended 31 December 2010 are 201 days and 117 days, respectively.

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

	As at 30 June 2011 ***(RMB million)***	As at 31 December 2010 *(RMB million)*
Raw materials	**5.8**	3.9
Finished goods and merchandise	**705.7**	350.1
Total	**711.5**	354.0

As at 30 June 2011 and 31 December 2010, our Group had inventory amounting to RMB711.5 million and RMB354.0 million respectively. The increase in inventory was mainly due to the Group's continuous business expansion, leading to the increase in the number of retail outlets.

Trade Receivables

For the six months ended 30 June 2011 and for the year ended 31 December 2010, the turnover days of our trade receivables were 78 days and 72 days respectively. Our trade receivables primarily consisted of receivables from department stores related to sales by our concessions, the receivables from authorized third-party retailers for our retail outlets and the receivables from wholesaler engaged in wholesale and distribution business. Our credit policies had no material movement.

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

As at 30 June 2011 and 31 December 2010, our trade receivables were RMB465.2 million and RMB288.3 million. The increase in trade receivables was mainly due to the continuous expansion of our business.

Trade Payables

For the six months ended 30 June 2011 and for the year ended 31 December 2010, the turnover days of our trade payables were 28 days and 34 days respectively. Our trade payables were derived primarily from payables relating to the purchase of raw materials, finished products and merchandise. The payment periods of some of our raw materials, finished products and merchandise were 90 days upon delivery and acceptance of the products.

As at 30 June 2011 and 31 December 2010, our trade payables were RMB84.1 million and RMB70.3 million. Trade payables as at 30 June 2011 increased by RMB13.8 million over that of 31 December 2010, mainly due to the continuous expansion of our business.

Current Assets and Liabilities Analysis

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

	As at 30 June 2011 ***(RMB million)*** ***(Unaudited)***	As at 31 December 2010 *(RMB million)* *(Audited)*
Current assets		
Inventories	**711.5**	354.0
Trade and other receivables	**676.0**	480.8
Amount due from a related party	**2.3**	2.3
Prepaid lease payments	**0.3**	0.3
Pledged bank deposits	**—**	2.6
Deposits	**110.0**	—
Bank balance and cash	**882.8**	1,690.2
Investment in securities	**476.4**	31.8
Loans receivables	**19.0**	19.0
Total current assets	**2,878.3**	2,581.0

Current liabilities		
Trade and other payables	**128.5**	203.3
Tax liabilities	**57.0**	71.2
Dividend payables	**10.4**	—
Short-term borrowings	**—**	10.0
Deferred revenue	**19.5**	24.7
Total current liabilities	**215.4**	309.2

Our Group maintained sound and healthy financial positions. As at 30 June 2011, the Group had working capital amounting to RMB2,662.9 million, representing an increase by 17.2% as compared with that of 31 December 2010. The increase was mainly due to the increase in inventories and investment in securities and decrease in trade and other payables and short-term borrowings.

Indebtedness

Borrowings

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

	As of 30 June 2011 ***(RMB million)***	As of 31 December 2010 *(RMB million)*
Bank borrowings due within one year		
— Secured	**—**	10.0

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

As at 30 June 2011, the Group has no bank borrowings (31 December 2010: RMB10.0 million).

The following discussion shall be read in conjunction with the financial information and its notes of the Group, which were included in this report.

Interest Rate Risk

Our fair value interest rate risk relates primarily to our fixed-rate bank borrowings and fixed-rate loan receivables. Our cash flow interest rate risk relates primarily to our variable-rate bank deposits. The Group currently has not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. Currently, we do not have a specific policy to manage our interest rate risk, but we intend to closely monitor the interest rate risk exposure in the future. In the opinion of our Directors, we did not have significant exposure to cash flow interest rate risk as of 31 December 2010 and 30 June 2011 as a 100-basis point change in the variable rate bank deposits as of those dates would not have had any significant financial impact on us.

Credit Risk

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

In order to minimize our credit risk, our Directors have delegated a team responsible for determining our credit limits, credit approvals and establishing other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, we review the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced.

We have concentration of credit risk in respect of bank balances. As of 31 December 2010 and 30 June 2011, approximately 93% and 55%, respectively, of our bank balances were deposited at two of the five largest state-owned banks in the PRC, and the credit risk relating to these current funds is limited.

We have concentration of credit risk in respect of loan receivables. As at 30 June 2011, approximately 100% of our loan receivables was due from two long-term suppliers. Our management reviews the financial positions of our counterparts periodically and continuously monitors our level of exposure to ensure that follow-up actions and collection actions are taken promptly to mitigate our exposure.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group does not have any significant exposure to liquidity risk as the Group was in a net current asset position as of 31 December 2010 and 30 June 2011.

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

Liquidity and Financial Resources

As at 30 June 2011, cash and bank balance of the Group amounted to approximately RMB882.8 million (31 December 2010: approximately RMB1,690.2 million).

As at 30 June 2011, the Group has no bank and other borrowings (31 December 2010: RMB10 million) secured by bank deposit of the Group.

For the six months ended 30 June 2011, the Group's net cash generated by operation activities amounted to RMB(923.6) million (for the six months ended 30 June 2010: RMB18.1 million). The Group's net cash generated by operation activities significantly decreased mainly due to our continuous expansion in sales channels, resulting in significant increase in procurement. Meanwhile, in order to reduce the cost of inventory purchase, the Group has adopted a prepayment approach, leading to a significant decrease in the expenses of inventory purchase. Moreover, as the held for trading investment held by the Group generated a net expense of RMB460.3 million were reflected in the cash used in operation activities, the net cash generated by operation activities decreased significantly.

For the six months ended 30 June 2011, the Group's net cash generated from investing activities amounted to RMB182.2 million (for the six months ended 30 June 2010: RMB(38.7) million), of which the proceeds from disposal of available for sale investments amounted to RMB292.5 million.

For the six months ended 30 June 2011, our net cash generated from financing activities amounted to RMB(49.4) million (for the six months ended 30 June 2010: RMB64.8 million) in which RMB20.8 million was used for paying the transaction fee of the new share issue, RMB18.6 million was used for paying dividend. The net expenses of bank loans amounted to RMB10.0 million.

Gearing ratio is defined as the net liabilities (presented as total borrowings, excluding cash and cash equivalents as well as secured bank deposit), divided by the shareholders' interest. As at 30 June 2011, the Group had strong financial positions with net cash reaching RMB882.8 million (31 December 2010: net cash of RMB1,690.2 million). Therefore, no gearing ratio was presented.

Charges and Contingent Liabilities

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

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

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

Foreign Currency Risk

The Group primarily operates in the PRC and the Renminbi is the functional currency for most of the major subsidiaries. Certain bank balances, borrowings, sales and purchases of the Group are denominated in Hong Kong Dollars, Japanese Yen and United States Dollars, which are currencies other than the functional currency of the Group entities, and therefore expose the Group to foreign currency risk.

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

Employment and Remuneration Policy

The Group's remuneration policy was formulated according to the employees' performance and was reviewed regularly. Depending on the profitability of the Group, the Group may also offer discretionary bonus to the employees as an incentive for their contributions to the Group.

As at 30 June 2011, the Group had 2,815 employees (including Directors) in the PRC. For the six months ended 30 June 2011, the total salaries and related costs (including Directors' fees) amounted to approximately RMB44.3 million (for the six months ended 30 June 2010: approximately RMB21.4 million).

OTHER INFORMATION

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

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

INTERIM DIVIDENDS

The Directors do not recommend the payment of a dividend of the Company for the six months ended 30 June 2011 (for the six months ended 30 June 2010: RMB257 million).

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules except the issue mentioned in the following paragraph.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. For the six months ended 30 June 2011, Mr. Zhong Zheng Yong is both the chairman of the board of Directors (the "Board") and the chief executive officer of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

Currently, the Audit Committee consists of three members, namely Mr. Lee Ted Tak Tai, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang. The chairman of the Audit Committee is Mr. Lee Ted Tak Tai, who has professional qualification in accounting.

The Audit Committee reviewed the accounting standards and practices adopted by the Group, and discussed with the management about the internal control and financial reporting matters, including reviewing the financial statements and interim results for the six months ended 30 June 2011.

PURCHASE, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2011 containing all the applicable information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (http://www.boshiwa.cn/) in due course. Printed copies will be despatched to shareholders of the Company in due course.

APPRECIATE YOUR SUPPORT AND COMMITTED TO ACHIEVING THE GOAL

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, our customers and employees of the Company for their continuous support and encouragement for the success of the Company. The Company is positioned in the children's product industry and is committed to use the highest quality and the strong product design and development capabilities, and fully utilize every opportunity to become the pioneer in the children's product industry, maximizing the value and returns to our shareholders.

By Order of the Board
Boshiwa International Holding Limited
Zhong Zheng Yong
Chairman

Hong Kong, 29 August 2011

As at the date of this announcement, the executive Directors are Mr. Zhong Zheng Yong and Ms. Chen Li Ping; the non-executive Directors are Mr. Chen Pei Qi and Mr. Li Shu Jun; and the independent non-executive Directors are Mr. Lee Ted Tak Tai, Dr. Jiang Chang Jian and Mr. Li Zhi Qiang.